



MEMORANDUM

DATE: July 15, 2019

TO: USAID/Egypt Mission Director, Sherry Carlin

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

SUBJECT: Closeout Audit of the Fund Accountability Statement of Hurghada Environmental Protection and Conservation Association, LIFE - Red Sea Sustainable Growth II Project in Egypt, Cooperative Agreement AID-263-A-16-00001, April 6, 2016, to September 30, 2018 (8-263-19-090-R)

This memorandum transmits the final closeout audit report of the Fund Accountability Statement of Hurghada Environmental Protection and Conservation Association, LIFE - Red Sea Sustainable Growth II Project in Egypt, Cooperative Agreement AID-263-A-16-00001, from April 6, 2016, to September 30, 2018. The auditee contracted with the independent certified public accounting firm BDO Khaled and Co. to conduct the audit.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards except that it did not participate in an external quality control review program. The audit firm says that Egypt does not offer such a review program.

The audit firm is responsible for the enclosed auditor's 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

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.

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. To answer the audit objectives, the auditors performed the subject financial audit that covered \$1,349,391 from April 6, 2016, to September 30, 2018.

The audit firm expressed an unmodified opinion on the fund accountability statement, and questioned \$47,767 related to transferring funds without obtaining USAID approval. The audit firm said that USAID/Egypt later approved the fund transfer, and considered the finding resolved and closed with no further action needed. The audit firm did not identify any material internal control weaknesses or any material instances of noncompliance with the award terms and applicable laws and regulations. Further, the audit firm did not disclose whether the ending fund balance of \$21,056 represents excess cash and whether it was returned to USAID/Egypt or not. Since the \$21,056 did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/Egypt determine the allowability of the \$21,056 reflected in note 6 of page 13 of BDO Khaled and Co report and recover any amount as needed.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a letter to USAID/Egypt Controller, dated July 15, 2019.

The report does not contain any recommendations for your action.

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").