



MEMORANDUM

DATE: July 2, 2019

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

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

SUBJECT: Financial Audit of USAID Resources Managed by Appleseeds Academy in Cooperative Agreement AID-294-A-14-00002, September 1, 2015, to December 31, 2016 (Report No. 8-294-19-085-R)

This memorandum transmits the final audit report on USAID resources managed by Appleseeds Academy for costs incurred under cooperative agreement AID 294-A-14-00002, Net at Community Connectors, USAID Project. Appleseeds Academy contracted with the independent certified public accounting firm of PricewaterhouseCoopers (PWC) to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID Financial Audit Guidelines for Foreign Organizations.¹

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards except for that the audit firm did not have an external peer review because no such programs are offered in the West Bank and Gaza. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

express an opinion on Appleseeds Academy's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The audit objective 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 Appleseeds Academy's internal controls; (3) determine whether Appleseeds Academy complied with applicable laws and regulations (4) review cost sharing contributions to determine if Appleseeds Academy complied with the terms of the award; and (5) review the implementation status of the prior period recommendations. To answer the audit objectives, PWC (1) audited the fund accountability statement for the award including the budgeted amounts by category and major items and the revenues received from USAID for the period covering September 1, 2015, to December 31, 2016 ; (2) identified the award terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the fund accountability statement; and (3) reviewed the support for the cost share contributions. Appleseeds Academy reported expenditures of \$320,437 in USAID funds during the audited period.

The audit firm concluded that except for the \$424 in questioned costs, the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited.

The audit firm concluded that except for the \$3,094 in questioned costs that cost sharing contributions were made and accounted for by Appleseeds Academy in accordance with the agreement terms. Additionally, the audit firm determined that the recipient has not taken adequate corrective actions on prior audit report recommendation.

The audit firm identified one material weakness in internal control which resulted in overbillings to USAID in the amount of \$424 reflected on the fund accountability statement and \$3,094 in over reporting reflected in the cost share schedule. The audit firm identified one instance of material noncompliance with applicable laws, regulations, and agreement terms in that Appleseeds Academy did not verify supplier names against excluded party list system. Since the questioned costs 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/West Bank and Gaza determine the allowability of the \$424 questioned costs reflected on the fund accountability statement and \$3,094 in over reporting reflected in the cost share schedule and recover any amount determined to be unallowable.

As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities, and as a result, Appleseeds Academy had its activities terminated and currently has no open awards with USAID. USAID/OIG Middle East and Eastern Europe (M/EE) Regional Office is not including procedural recommendations regarding the one material internal control weakness and the one material noncompliance instances. However, if USAID/West Bank and Gaza considers future awards to Appleseeds Academy, it should ensure that adequate policies and

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.

procedures are implemented to address these findings, as detailed on pages 19 to 20 of PWC's report.

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").