



MEMORANDUM

DATE: October 16, 2019

TO: USAID/Jordan Mission Director, Jim Barnhart

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

SUBJECT: Audit of the Fund Accountability Statement of USAID Resources Managed by Questscope, USAID Non-Formal Education Program in Jordan, Cooperative Agreement AID-278-A-16-00001, November 19, 2015, to December 31, 2016 (8-278-20-001-N)

This memorandum transmits the final audit report on the fund accountability statement of USAID resources managed by Questscope, USAID Non-Formal Education Program in Jordan, cooperative agreement AID-278-A-16-00001, from November 19, 2015, to December 31, 2016. The auditee contracted with the independent certified public accounting firm Ernst & Young Jordan to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not have an external quality control review program because Jordan 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 controls; 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. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$1,453,607, from November 19, 2015, to December 31, 2016.

The audit firm expressed a qualified opinion on the fund accountability statement and questioned \$35,486 of ineligible costs. The audit firm identified one internal control significant

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.

deficiency and three material instances of noncompliance related to Questscope: (a) submitting advance requests with amounts exceeding their immediate disbursing needs; (b) changing the Chief of Party's status and salary without obtaining prior approval from USAID; and (c) charging unallowable employees fringe benefits to USAID.

The audit firm said that subsequently, Questscope refunded to USAID the Chief of Party salary increase, up to June 2017, in the amount of \$8,082, out of which \$6,290 pertain to the audit period. Accordingly, out of the \$35,486 of ineligible questioned costs, \$29,196 still remains unresolved.

In its report number 8-278-19-005-N, dated February 26, 2019, covering calendar year 2017 for the same award for Questscope, USAID OIG ME/EE Regional Office included one recommendation addressing the same internal control significant deficiency disclosed in this report. As such we are not including a similar internal control procedural recommendation. Further, the audit firm stated in its 2017 report, that Questscope updated its human resources policies and procedures, as well as its employees' contracts, addressing the material noncompliance instance pertaining to charging unallowable employees' fringe benefits to USAID. The audit firm considered this finding closed, and accordingly, we are not including a similar procedural recommendation.

Further, the audit firm issued a management letter.

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 the controller, dated October 16, 2019.

To address the issues identified in the report, we recommend that USAID/Jordan:

Recommendation 1. Determine the allowability and collect as appropriate, \$29,196 in questioned ineligible costs as detailed on pages 20 and 21 of Ernst & Young Jordan audit report.

Recommendation 2. Require Questscope to establish and implement policies and procedures ensuring compliance with requirements pertaining to: (a) advance request amounts; and (b) changing staff status and salary, as detailed on pages 18 and 19 of Ernst and Young Jordan audit report.

We ask that you provide your written notification of actions planned or taken to reach a 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").