



MEMORANDUM

DATE: October 21, 2019

TO: USAID/West Bank and Gaza, Acting Mission Director, Courtney Chubb

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 Locally Incurred Costs by Hagar: Jewish-Arab Education for Equality, Education for All: Expanding Extended Education in Israeli's Negev Project, Cooperative Agreement AID-294-A-13-00008, August 21, 2013, to February 28, 2015 (8-294-20-005-R)

This memorandum transmits the final audit report on the fund accountability statement of locally incurred costs by Hagar: Jewish-Arab Education for Equality, Education for All: Expanding Extended Education in Israeli's Negev Project, cooperative agreement AID-294-A-13-00008, from August 21, 2013, to February 28, 2015. The auditee contracted with the independent certified public accounting firm of PricewaterhouseCoopers to conduct the audit. The audit firm stated that it performed its audit in accordance with Generally Accepted Auditing Standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients¹. However, it did not participate in an external quality control review program because 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 Hagar's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The audit objectives were mainly to: (1) express an opinion on whether the fund accountability statement for the period from August 21, 2013, to February 28, 2015, was presented fairly, in

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

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 firm's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

all material respects; (2) evaluate Hagar's internal controls; and (3) determine whether Hagar complied with the agreement 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 conducted the subject financial audit that covered \$69,888 for the period from August 21, 2013, to February 28, 2015.

The audit firm expressed a qualified opinion on the fund accountability statement and questioned \$23,281 of unsupported costs. The auditors identified three material internal control weaknesses related to: (a) salaries' supporting documentation; (b) sub-awarding/contracting policies and procedures documentation; and (c) review and approval of monthly bank reconciliations. The auditors also identified two material instances of non-compliance with the agreement terms, conditions, and applicable laws and regulations. The auditors did not identify any material instances of noncompliance with Executive Order 13224. 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 \$23,281 in questioned costs 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, Hagar had its activities terminated and currently has no open awards with USAID. USAID OIG ME/EE Regional Office is not including procedural recommendations regarding the three material internal control weaknesses and the two material noncompliance instances. However, if USAID/West Bank and Gaza considers future awards to Hagar, it should ensure that adequate policies and procedures are implemented to address these findings, as detailed on pages 18 to 22 of PricewaterhouseCoopers's report. Further, the audit firm issued a management letter.

The report does not contain any recommendations 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").