



*Office of Inspector General*

## MEMORANDUM

**DATE:** October 23, 2019

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

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

**SUBJECT:** Closeout Fund Accountability Statement Audit of Adam Institute for Democracy and Peace, Entering the Arena: Women, Politics and Peace-Building Project in West Bank and Gaza, Cooperative Agreement 294-A-13-00009, September 23, 2013, to December 31, 2015 (8-294-20-011-R)

This memorandum transmits the final report on the closeout audit of the fund accountability statement of Adam Institute for Democracy and Peace, Entering the Arena: Women, Politics and Peace-Building Project in West Bank and Gaza, cooperative agreement 294-A-13-00009, from September 23, 2013, to December 31, 2015. The auditee contracted with the independent certified public accounting firm Deloitte & Touche (M.E.) to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and the OIG Guidelines<sup>1</sup>. However, it did not have an external quality control review program and continuing education program that fully satisfies the standards' requirements. The audit firm explained that West Bank and Gaza 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.<sup>2</sup>

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; (3) determine whether the auditee complied with the award terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed

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 On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

<sup>2</sup> 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 subject financial audit that covered \$504,769, from September 23, 2013, to December 31, 2015.

The auditors expressed a modified opinion on the fund accountability statement and questioned an ineligible amount of \$34,301. The audit firm identified one material instance of noncompliance with the award's terms and applicable laws and regulations for not obtaining USAID approval for changes in key personnel. The audit firm did not identify any material instances of non-compliance with Executive Order 13224, or any material internal control weaknesses. Further, the audit firm issued a management letter.

Since the agreement ended on December 31, 2015, and USAID has no other current awards with Adam Institute for Democracy and Peace, USAID OIG ME/EE is not including any procedural recommendations regarding the material instance of noncompliance. However, before USAID/West Bank and Gaza considers other awards to Adam Institute for Democracy and Peace, it should require it to establish and implement adequate policies and procedures ensuring that it obtains USAID approval for any changes in its key personnel, as detailed on pages 22 and 23 of Deloitte & Touche (M.E.) report.

To address the weaknesses identified in the report, we recommend that USAID/West Bank & Gaza do the following:

**Recommendation 1:** Determine the allowability, and collect as appropriate, \$34,301 in questioned ineligible costs, as detailed on pages 22 and 23 of Deloitte & Touche (M.E.) report.

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