



MEMORANDUM

DATE: April 22, 2020

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, John Vernon /s/

SUBJECT: Closeout Audit of the Fund Accountability Statement of Hagar: Jewish Arab Education for Equality, Education for All Project in West Bank and Gaza, Cooperative Agreement AID-294-A-13-00008, January 1, 2017 to February 28, 2018 (8-294-20-060-R)

This memorandum transmits the final report on the closeout audit of the fund accountability statement of Hagar: Jewish Arab Education for Equality, Cooperative Agreement AID-294-A-13-00008, Education for All: Expanding Extended Education in Israeli's Negev Project in West Bank and Gaza from January 1, 2017 to February 28, 2018. The auditee contracted with the independent certified public accounting firm Ernst & Young-Middle East to conduct the audit. The audit firm stated that it performed the audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. 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 auditee's internal control effectiveness 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 fairly presented, in all material respects; (2) evaluate the auditee's internal controls; and (3) determine whether the auditee complied with applicable

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.

laws and regulations. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$418,246 from January 1, 2017 to February 28, 2018.

The auditors expressed an unmodified opinion on the fund accountability statement, and did not identify any questioned costs. The auditors did not identify any material internal control weaknesses, but identified one material instance of non-compliance that resulted in a cost share contribution shortfall of \$15,504. Further, the audit firm said that USAID reimbursed the auditee \$1,984 in excess of the actual costs it incurred and said that this amount should be refunded to USAID. The auditors did not test the auditee's compliance with Executive Order 13224 as it is not subject to Mission Order No. 21 and Executive Order No. 13224.

As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities. Hagar has no open awards with USAID. USAID/OIG ME/EE Regional Office is not including a procedural recommendation regarding the material instance of noncompliance. However, if USAID/West Bank and Gaza considers future awards to the auditee, it should ensure that adequate policies and procedures are established and implemented to address this finding, as detailed on page 15 of the audit report. Since the \$17,488, representing the sum of the cost share shortfall (\$15,504) and the amount reimbursed by USAID in excess of the auditee's actual costs (\$1,984), 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 make a determination and collect any amounts it finds appropriate out of these \$17,488. Further, the audit firm issued a management letter.

During our desk review, we noted one minor issue which the audit firm will need to address in future audit reports. We presented this issue in a memo to the controller dated April 22, 2020. Please note that pages 24 and 25 of the audit report include personally identifiable information.

The report does not include 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").