



MEMORANDUM

DATE: May 21, 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 Appleseeds Academy, Net@Community Connectors Project in West Bank and Gaza, Cooperative Agreement AID-294-A-14-00002, January 1 to August 19, 2017 (8-294-20-069-R)

This memorandum transmits the final closeout audit report of the fund accountability statement of Appleseeds Academy, Net@Community Connectors project in West Bank and Gaza, cooperative agreement AID-294-A-14-00002, from January 1 to August 19, 2017. Appleseeds Academy contracted with the independent certified public accounting firm Ernst and Young-Middle East to conduct the audit. The audit firm stated that it performed its audit in accordance with the U.S. Government Auditing Standards issued by the Comptroller General of the United States. However, it did not have an external quality control review 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 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 control; or its compliance with the award, laws, and regulations¹.

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 the award terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed the subject financial audit that covered total expenditures of \$233,996 from January 1

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.

to August 19, 2017.

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 three material instances of non-compliance. Further, the auditors identified a cost share contribution shortfall of \$49,824. The auditors did not test the auditee's compliance with Executive Order 13224 as it is not subject to mission order number 21 and Executive Order 13224, because the program falls outside the scope of the mandatory provisions underlying mission order number 21.

As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities. Appleseeds Academy has no open awards with USAID. USAID/OIG ME/EE Regional Office is not including a procedural recommendation regarding the material instances 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 these findings, as detailed on pages 17 to 19 of the audit report. Further, the audit firm issued a management letter.

To address the cost share contribution shortfall identified in the report, we recommend that USAID/West Bank and Gaza:

Recommendation 1: Determine the allowability, and collect as appropriate, \$49,824 of cost share contribution shortfall, as detailed on page 19 of Ernst and Young-Middle East 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").