



MEMORANDUM

DATE: June 25, 2020

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

FROM: USAID OIG Middle East and Eastern Europe (ME/EE) Regional Office, Audit Director, David Thomanek /s/

SUBJECT: Closeout Audit of the Fund Accountability Statement of EcoPeace Middle East for Environmental Development, Good Water Neighbors Project in West Bank and Gaza, Cooperative Agreement AID-294-A-16-00007, September 29, 2016 to December 31, 2018 (8-294-20-035-N)

This memorandum transmits the final closeout audit report of the fund accountability statement of EcoPeace Middle East for Environmental Development, Good Water Neighbors: Mitigating Conflict through Cross Border Watershed and Environmental Cooperation Project in West Bank and Gaza, Cooperative Agreement AID-294-A-16-00007 from September 29, 2016 to December 31, 2018. USAID/ West Bank and Gaza 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 professional organizations in West bank and Gaza do 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

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.

terms and applicable laws and regulations, including testing the auditee's 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 performed the subject financial audit that covered total expenditures of \$183,165 from September 29, 2016 to December 31, 2018.

The auditors expressed a qualified opinion on the fund accountability statement and questioned \$2,221,017 (\$14,639 unsupported, \$362 ineligible, and \$2,206,016 cost share shortfall). The auditors did not identify any material internal control weaknesses but identified five material instances of noncompliance including an instance of noncompliance with Executive Order 13224.

As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities. EcoPeace has no open awards with USAID. USAID/OIG ME/EE Regional Office is not including a procedural recommendation regarding the five material instances of noncompliance. However, if USAID/West Bank and Gaza considers future awards to the auditee, it should ensure that it corrected these findings, as detailed on pages 19 to 23 of the audit report. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/West Bank and Gaza determine if the recipient addressed the issue noted if the Mission considers future awards to the auditee. Further, the audit firm issued a management letter.

During our desk review, we noted a 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 June 25, 2020. Please note that pages 31 to 37 of the audit report include personally identifiable information.

To address the questioned amount identified in the report, we recommend that USAID/West Bank and Gaza:

Recommendation I: Determine the allowability of \$2,221,017 in questioned amounts, (\$14,639 unsupported, \$362 ineligible, and \$2,206,016 cost share shortfall as detailed on pages 18, 19, 21, and 24 of the audit report and recover any amount that is unallowable.

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").