



MEMORANDUM

DATE: July 13, 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: Audit of the Fund Accountability Statement of Dead Sea and Arava Science Center Under Water Matters Project in West Bank and Gaza, Cooperative Agreement AID-294-A-16-00005, September 15, 2016 to December 31, 2017 (8-294-20-042-N)

This memorandum transmits the final audit report of the fund accountability statement of Dead Sea and Arava Science Center under Water Matters Project in West Bank and Gaza, cooperative agreement AID-294-A-16-00005, from September 15, 2016 to December 31, 2017. 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 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, 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

¹We 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.

firm performed the subject financial audit that covered total expenditures of \$258,960 from September 15, 2016 to December 31, 2017.

The auditors expressed a qualified opinion on the fund accountability statement and identified \$9,897 as questioned ineligible costs. The auditors did not identify any material internal control weaknesses but identified three material instances of non-compliance with the agreement terms and Executive Order 13224. Further, the audit firm issued a management letter.

USAID said that it subsequently received a refund of the \$9,897 of questioned costs. As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities. Dead Sea and Arava Science Center has no open awards with USAID. Accordingly, we are not making a recommendation for the material instances of noncompliance noted in the report. Nevertheless, we suggest that if USAID/West Bank and Gaza considers future awards to the auditee that it determines if the recipient addressed the issues noted on pages 20 to 22 of the audit report. Please note that pages 20 and 21 of the audit report include personally identifiable information.

During our desk review, we noted a minor issue which the audit firm will need to address in its future audit reports. We presented this issue in a letter to the controller dated July 13, 2020.

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").