



Office of Inspector General

MEMORANDUM

DATE: November 9, 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 Examination of LionHeart's Compliance With Terms and Conditions of Fixed Amount Grant AID-294-F-16-00003, Women Empowerment for Economic Cooperation in West Bank and Gaza, September 28, 2016 to May 31, 2018 (8-294-21-001-O)

This memorandum transmits the final report on the closeout examination of LionHeart's compliance with terms and conditions of fixed amount grant AID-294-F-16-00003, Women Empowerment for Economic Cooperation in West Bank and Gaza, from September 28, 2016 to May 31, 2018. USAID/West Bank and Gaza contracted with the certified public accounting firm Ernst and Young to conduct the examination. The audit firm stated that it performed the examination in accordance with U.S. Government Auditing Standards for attestation engagements and the attestation standards established by the American Institute for Certified Public Accountants. However, it did not have 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 LionHeart's internal control effectiveness or its compliance with the award, laws, and regulations¹.

The examination objectives were mainly to: (1) determine whether the awardee complied with the terms and conditions of the fixed amount grant including compliance with Executive Order 13224 – Blocking Property and Prohibiting Transactions with Persons who commit, Threaten to Commit, or Support Terrorism and (2) provide reasonable assurance of detecting fraud, illegal acts, or violations of provisions of the grant. To answer the engagement objectives, the audit firm performed the subject examination that covered the period from September 28, 2016 to May 31, 2018.

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 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 engagement performed.

The auditors were unable to report on the LionHeart's compliance or internal control over compliance because LionHeart did not maintain proper accounting records and documents and due to the significance of the four noncompliance findings and the two internal controls findings that they raised. The four noncompliance findings pertained to LionHeart (a) not obtaining vetting approvals for non-U.S. individuals attending USAID financed trainings, (b) not submitting monthly subawards reports, (c) not incorporating the required mandatory provisions in one of the contracts, and (d) not submitting the monthly VAT refunds sheets to USAID. The two internal control findings pertained to (a) inadequate project documentation and (b) absence of adequate policies and procedures. As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities. LionHeart currently has no open awards with USAID. Accordingly, USAID OIG ME/EE regional office is not including procedural recommendation for the four noncompliance and the two internal control findings. However, if USAID/West Bank and Gaza considers future awards to LionHeart, it should ensure that the auditee has adequate policies and procedures in place to address these findings as detailed on pages 7-12 of Ernst & Young audit report.

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 mission controller, dated November 9, 2020.

The report does not include any recommendations for your action.

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").