



MEMORANDUM

DATE: April 19, 2021

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 Hand in Hand: Center for Jewish-Arab Education in Israel, Widening the Circle Project in West Bank and Gaza, Cooperative Agreement AID-294-A-15-00002, January 1 to December 31, 2017 (8-294-21-022-R)

This memorandum transmits the final audit report on the fund accountability statement of Hand in Hand – Center for Jewish-Arab Education in Israel, Widening the Circle, Bilingual Arab-Jewish Schools to Civic Inclusion Project in West Bank and Gaza, cooperative agreement AID-294-A-15-00002, from January 1 to December 31, 2017. The auditee contracted with the independent certified public accounting firm Mazars Chartered Accountants and Consultants to conduct the audit. The audit firm stated that it performed the audit in accordance with U.S. Government auditing standards. However, it did not have an external quality control review program because 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 controls; 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 presented fairly, 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 \$461,877 from January 1 to December 31, 2017.

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.

The audit firm expressed a qualified opinion on the fund accountability statement and questioned \$3,071 of ineligible costs. The audit firm identified two material internal control weaknesses pertaining to overbudgeted charging of salaries and fringe benefits of the program's top management and inadequate filing system of financial records. The audit firm also considered these two material internal control weaknesses as material instances of non-compliance. The audit firm questioned \$12,788 of unsupported cost share contribution and said that the program is not subject to mission order number 21–Anti Terrorism Procedures. Since the questioned costs did not meet the OIG's established threshold of \$25,000, we are not making a questioned cost recommendation. Nevertheless, we suggest that USAID/West Bank and Gaza determine the allowability of the \$15,859 in questioned costs and recover any amount determined to be unallowable. 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 its future audit reports. We presented this issue in a letter to the controller dated April 19, 2021.

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

Recommendation 1: Verify that Hand in Hand: Center for Jewish-Arab Education in Israel corrects the two material instances of noncompliance detailed on pages 18 to 20 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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”).