



MEMORANDUM

DATE: August 24, 2021

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Supervisory Auditor, Eleanor C. Jefferson

FROM: Director of External Financial Audits Division (IG/A/EFA), David A. McNeil /s/

SUBJECT: Financial Audit of USAID Resources Managed by Prague Civil Society Centre, nadační fond Under Cooperative Agreement AID-OAA-A-16-00086, January 1, 2017, to December 31, 2017 (3-000-21-024-R)

This memorandum transmits the final audit report on U.S. Agency for International Development (USAID) resources managed by Prague Civil Society Centre, nadační fond (PCSC) for the period from January 1, 2017, to December 31, 2017. The PCSC contracted with the independent certified public accounting firm Ernst & Young to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards. However, it did not have an external peer review because no such program is offered by professional organizations in the West Bank and Gaza. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on PCSC's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were 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 PCSC's internal controls; (3) determine whether PCSC complied with award terms and applicable laws and regulations; and (4) determine whether PCSC correctly charged indirect costs to USAID. To answer the audit objectives, the audit firm examined evidence supporting the amounts and disclosures in the fund accountability statement; evaluated the PCSC's internal controls related to the program and assessed control risk; performed tests of PCSC's compliance with award terms and applicable laws and regulations; and reviewed the indirect

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.

cost rate. PCSC reported expenditures of \$1,242,792 in USAID funds during the period from January 1, 2017, to December 31, 2017.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$12,544 in total questioned costs (\$12,544 ineligible); a significant deficiency in internal control; and four instances of material noncompliance. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID Office of Acquisition and Assistance, Cost, Audit and Support Division determine the allowability of the \$12,544 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID Office of Acquisition and Assistance, Cost, Audit and Support Division determine if the recipient addressed the issues noted. 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 Chief Financial Officer, dated August 24, 2021.

To address the issues identified in the report, we recommend that USAID Office of Acquisition and Assistance, Cost, Audit and Support Division:

Recommendation I. Verify that Prague Civil Society Centre, nadační fond corrects the four instances of material noncompliance detailed on pages 21 to 26 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").