



## OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

### MEMORANDUM

**DATE:** February 15, 2022

**TO:** USAID/West Bank and Gaza Acting Mission Director, Aler Grubbs

**FROM:** USAID/OIG Middle East and Eastern Europe (ME/EE) Regional Office,  
Supervisory Auditor, John Vernon /s/

**SUBJECT:** Closeout Audit of the Fund Accountability Statement of Friends of Neve Shalom Educational Institute, Building Peace and Resilience Program in West Bank and Gaza, Cooperative Agreement 294-A-17-00015, September 28, 2017 to January 31, 2019 (8-294-22-012-N)

This memorandum transmits the final closeout audit of the fund accountability statement of Friends of Neve Shalom Educational Institute, Building Peace and Resilience program in West Bank and Gaza, cooperative agreement 294-A-17-00015, from September 28, 2017 to January 31, 2019. USAID/West Bank and Gaza contracted with the independent certified public accounting firm Deloitte & Touche (M.E.) 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 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 controls; or its compliance with the award, laws, and regulations.<sup>1</sup>

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 including testing the auditee's compliance with Executive Order 13224 – Blocking Property and Prohibiting Transactions With Persons Who

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<sup>1</sup> 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.

Commit, Threaten to Commit, or Support Terrorism. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$428,315 from September 28, 2017 to January 31, 2019.

The audit firm expressed a qualified opinion on the fund accountability statement and questioned \$31,302 (\$25,567 ineligible and \$ 5,735 unsupported). The audit firm identified three material internal control weaknesses pertaining to: (a) noncompliance with the auditee's procurement internal policies; (b) having insufficient supporting documents for some expenses; and (c) inaccurately reporting the cost share contributions. Further, the audit firm identified four material instances of noncompliance with the award terms and applicable laws and regulations including three instances of noncompliance with executive order 13224 and mission order 21 requirements.

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 February 15, 2022.

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

**Recommendation 1:** Determine the allowability of \$31,302 in questioned costs (\$25,567 ineligible costs and \$5,735 unsupported costs) detailed on pages 19, 20, and 21 of the audit report and recover any amounts that is unallowable.

**Recommendation 2:** Verify that Friends of Neve Shalom Educational Institute corrects the three material internal control weaknesses detailed on pages 20, 21, and 23 of the audit report.

**Recommendation 3:** Verify that Friends of Neve Shalom Educational Institute corrects the four material instances of noncompliance detailed on pages 17, 18, 19, and 22 of the audit report and recover any amounts as it finds appropriate.

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").