



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: August 21, 2024

TO: USAID/West Bank and Gaza, Mission Director, Amy Tohill-Stull

FROM: Middle East and Eastern Europe Regional Office, Audit Director, Louis Duncan, Jr. /s/

SUBJECT: Audit of the Schedule of Expenditures of the Palestinian Peace Coalition Under Policy Engagement and Constructive Exposure: Young Palestinian and Israeli Leaders Program in West Bank and Gaza, Cooperative Agreement 72029421CA00006, September 29, 2021, to December 31, 2022 (8-294-24-026-N)

This memorandum transmits the final audit report of Policy Engagement and Constructive Exposure: Young Palestinian and Israeli Leaders Program in West Bank and Gaza, managed by the Palestinian Peace Coalition under cooperative agreement 72029421CA00006, for the period covering September 29, 2021, to December 31, 2022. USAID/West Bank and Gaza contracted with the independent audit firm Ernst & Young-Middle East to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. Generally Accepted Government Auditing Standards. However, it did not have external quality control review that fully satisfy the standards' requirements. The audit firm reported that professional organizations in West Bank and Gaza do not offer an external quality control 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 schedule of expenditures; the effectiveness of its internal controls; or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the schedule of expenditures 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 agreement's terms and applicable laws and regulations including 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 firm performed the subject financial audit that covered \$332,512 for the period from September 29, 2021, to December 31, 2022.

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 concluded that the schedule of expenditures presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$2,301 in total questioned costs (\$580 ineligible and \$1,721 unsupported). The audit firm identified two material weaknesses in the internal control for excess salaries charged and lack of sub-awards monitoring. The audit firm also identified three material instances of noncompliance. One of the material instances of noncompliance is related to compliance with Executive Order 13224. 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/West Bank and Gaza determine the allowability of the \$2,301 in questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/West Bank and Gaza determine if the recipient addressed the issues noted. Further, the audit firm issued a management letter.

During our desk review, we noted an area for improvement which the audit firm should address in its future audit reports. We presented this deficiency in a memorandum to the Controller dated August 21, 2024.

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

Recommendation 1. Verify that the auditee corrects the two material weaknesses in internal control detailed on pages 16 to 19 of the audit report.

Recommendation 2. Verify that the auditee corrects the 3 instances of material noncompliance detailed on pages 22 to 24 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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oinotice_ndaa5274@usaid.gov.