



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

MEMORANDUM

DATE: August 22, 2025

TO: USAID, Deputy Administrator for Management and Resources, Kenneth Jackson
USAID, Acting Chief Financial Officer, Douglas A. Pitkin

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

SUBJECT: Audit of the Locally Incurred Costs of International Youth Foundation, Positive Youth Engagement Program in West Bank and Gaza, Under Prime Mercy Corps Cooperative Agreement 72029421C00004, November 17, 2022, to December 31, 2023 (8-294-25-028-N)

This memorandum transmits the audit of the schedule of expenditures of International Youth Foundation, Positive Youth Engagement program in West Bank and Gaza, subaward 33705S001, under the prime Mercy Corps cooperative agreement 72029421C00004, November 17, 2022, to December 31, 2023. USAID/West Bank and Gaza contracted with the independent audit firm Ernst & Young, Middle East, Palestine Branch (EY) to conduct the audit. The audit firm stated it performed its 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 since no such program is offered by professional organizations in West Bank and Gaza. EY is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the auditee's statement of expenditures, 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 schedule of expenditures presents fairly, in all material respects, the program's revenues received, costs incurred, and commodities directly procured by USAID; (2) evaluate the auditee's internal controls; and (3) determine whether the auditee complied, in all material respects, with the award terms and

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.

conditions, including compliance with Executive Order 13224 - Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism and the related mission orders, including Mission Order 21. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$649,287 from November 17, 2022, to December 31, 2023.

The audit firm concluded that the schedule of expenditures is presented fairly, in all material respects. The audit firm did not identify any material weaknesses in internal control and identified one material instance of noncompliance with the submission of financial and programmatic reports. The audit firm identified no instances of noncompliance with Executive Order 13224 or Mission Order 21. Additionally, EY identified two significant deficiencies in the internal control structure of the auditee related to a mismatch of financial reports and its local registration status. Although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that USAID/West Bank and Gaza determine if International Youth Foundation addressed the issues noted.

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

Recommendation 1: Verify that International Youth Foundation corrects the instance of material noncompliance detailed on page 18 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 oignotice_ndaa5274@usaid.gov.