



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

MEMORANDUM

DATE: August 25, 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: Closeout Audit of the Schedule of Expenditures for Tsofen High Technology Centers, Tech Bridges Program in West Bank and Gaza, Cooperative Agreement 2029418CA00004, January 1, 2023, to September 29, 2023 (8-294-25-029-N)

This memorandum transmits the close-out audit of the schedule of expenditures for Tsofen High Technology Centers (Tsofen), Tech Bridges program in West Bank and Gaza, cooperative agreement 2029418CA00004, January 1, 2023, to September 29, 2023. USAID/West Bank and Gaza contracted with the independent audit firm Farrage & Nashwan Co. 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. The audit firm explained that professional organizations in West Bank and Gaza do not offer such a 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 Tsofen's schedule 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 of the USAID award for the period audited presents fairly, in all material respects, the revenues received, costs incurred, and commodities directly procured by USAID; (2) evaluate Tsofen's internal controls; (3) determine whether Tsofen complied, in all material respects, with the award including cost-sharing, and applicable laws and regulations; and (4) determine if Tsofen

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.

has taken adequate corrective actions on prior audit report recommendations. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$395,616 from January 1, 2023, to September 29, 2023.

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 \$410 in ineligible questioned costs for expenditures unrelated to the project. 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 total \$410 in questioned costs and recover any amount determined to be unallowable. In addition, the audit firm identified one deficiency in internal control that was considered a material weakness, related to the inappropriate filing system and retention of documents for the program's financial documents. The audit firm also identified three material instances of noncompliance with the terms of the agreement related to (1) the inadequate implementation of Tsofen's procurement policies and procedures, (2) compliance with standard provision C.26 on reporting violations of Federal criminal law, and (3) reporting of expenses that are unrelated to the project. Based on the audit firm's review, nothing came to its attention that caused it to believe that Tsofen did not fairly present the cost-sharing schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost-sharing schedule. The audit firm reported that Tsofen implemented one of the two prior audit recommendations.

During our desk review, we noted areas for improvement which the audit firm should address in future audit reports. We presented these deficiencies in a memo to USAID, dated August 25, 2025.

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

Recommendation 1. Verify that Tsofen High Technology Centers corrects the material weaknesses in internal control detailed on pages 21 and 22 of the audit report.

Recommendation 2. Verify that Tsofen High Technology Centers corrects the three instances of material noncompliance detailed on pages 25 to 29 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.