



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

MEMORANDUM

DATE: September 5, 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 Financial Audit for Hand in Hand: Center for Jewish-Arab Education in Israel, Mainstreaming Shared Society Program in West Bank and Gaza, Cooperative Agreement 72029418CA00005, January 1, 2023, to September 29, 2023 (8-294-25-030-N)

This memorandum transmits the closeout financial audit of the schedule of expenditures for Hand in Hand: Center for Jewish-Arab Education in Israel (HIH), Mainstreaming Shared Society program in West Bank and Gaza, cooperative agreement 72029418CA00005 for the period from January 1, 2023, to September 29, 2023. USAID/West Bank and Gaza contracted with the independent audit firm Baker Tilly Farrage & Nashwan Co. to conduct the audit. The audit firm stated that 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 HIH'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, revenues received, costs incurred, and commodities directly procured by USAID; (2) evaluate HIH's

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.

internal controls; and (3) determine whether HIH complied, in all material respects, with the award terms, including cost-sharing requirements. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$261,544 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. The audit firm identified one deficiency in internal control that was considered a significant deficiency related to the allocation of project costs. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID determine if the recipient addressed the issue noted.

The audit firm identified two material instances of noncompliance with the terms of the agreement, specifically the failure to comply with (1) standard provision C.26 in the cooperative agreement regarding the reporting of Federal criminal law violations and (2) cost-share requirements.

The results of the review of the cost-sharing schedule disclosed a total of \$12,307 in questioned costs—\$435 as ineligible costs, which were questioned due to the overstatement of the cost-share contribution and \$11,872 as unsupported costs, which were questioned due to the auditee expending less than the agreed-upon cost-share amount, as specified in the award. The audit firm concluded that, except for the effect of the questioned costs, nothing came to its attention that caused it to believe that HIH 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. 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 determine the allowability of the total \$12,307 in questioned costs and recover any amount determined to be unallowable.

To address the issues identified in the report, we recommend that USAID:

Recommendation 1. Verify that Hand in Hand: Center for Jewish-Arab Education in Israel corrects the two instances of material noncompliance detailed on pages 24 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"). 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.