



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: December 11, 2025

TO: USAID, Performing the Duties of Administrator and Chief Operating Officer, Eric Ueland

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 Schedule of Expenditures of EcoPeace Middle East Environmental NGO Forum, Partnership for Climate Resilience and Water Security Program in West Bank and Gaza, Cooperative Agreement 72029422CA00003, January 1 to December 31, 2023 (8-294-26-002-N)

This memorandum transmits the final audit report of the schedule of expenditures of EcoPeace Middle East Environmental NGO Forum (EcoPeace), Partnership for Climate Resilience and Water Security Program in West Bank and Gaza, cooperative agreement 72029422CA00003, from January 1, 2023, to December 31, 2023. USAID/West Bank and Gaza contracted with the independent audit firm Ernst & Young, Middle East (EY) to conduct the audit. The audit firm stated it performed the audit in accordance with U.S. Government Auditing Standards. However, it did not have an external quality control review program since no such program is offered by professional organizations in West Bank and Gaza. 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, program revenues and costs incurred; (2) evaluate the auditee's internal controls; (3) determine whether the auditee

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.

complied with the award 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; and (4) review cost-sharing/matching contributions to determine if such contributions were provided and disbursed, in accordance with the terms of the agreement. To address the audit objectives, the audit firm conducted the subject financial audit covering \$718,069 for the period from January 1, 2023, to December 31, 2023.

The audit firm concluded that the schedule of expenditures of USAID awards presents fairly, in all material respects, the program's revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID for the audit period. The audit firm reported \$268 in illegible questioned costs. 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 \$268 in questioned costs and recover any amount determined to be unallowable.

The audit firm identified two material weaknesses in internal controls: (1) a mismatch between the accounting records and the financial reports submitted to USAID and (2) unrelated expenditures charged to the program. The audit firm also identified two significant deficiencies. Although we are not making a recommendation regarding the significant deficiencies noted in the report, we suggest that USAID determine whether EcoPeace has addressed the issues.

The audit firm also identified two material instances of noncompliance with the award terms, including screening suppliers against the System for Award Management and noncompliance with reporting requirements. However, the audit firm reported no instances of noncompliance with Executive Order No. 13224. Additionally, EY reported that nothing came to its attention that caused the auditors to believe that EcoPeace did not fairly present the cost-sharing schedule, in all material respects, in accordance with the basis of accounting used to prepare the schedule.

In addition, EY reported in the management letter dated July 9, 2025, that there were insignificant deficiencies in internal controls.

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

Recommendation 1: Verify that EcoPeace Middle East Environmental NGO Forum corrects the two material weaknesses in internal control detailed on pages 17 to 19 of the audit report.

Recommendation 2: Verify that EcoPeace Middle East Environmental NGO Forum corrects the two instances of material noncompliance detailed on pages 23 to 25 of the audit report.

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.