



## MEMORANDUM

**DATE:** March 27, 2018

**TO:** USAID/West Bank & Gaza Mission Director, Monica Stein-Olson

**FROM:** Regional Inspector General/Frankfurt, James C. Charlifue /s/

**SUBJECT:** Fund Accountability Statement Audit of Internews Network Under Enhancing Palestinian Independent Media Program, Award AID-294-A-00-10-00207, October 1, 2011, to September 29, 2013 (Report No. 8-294-18-038-R)

This memorandum transmits the final audit report on the fund accountability statement of Internews Network, Enhancing Palestinian Independent Media Program, Award AID-294-A-00-10-00207, for the period from October 1, 2011, to September 29, 2013. The auditee contracted with the independent certified public accounting firm, Talal Abu – Ghazaleh & Co. to conduct the audit. The audit firm stated that the contract required them to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits contracted by Foreign Recipients.<sup>1</sup>

The audit firm stated it performed the audit in accordance with generally accepted government auditing standards, except that it did not participate in an external quality control review program that fully satisfies the standards' requirements. The audit firm explained that West Bank & Gaza does not offer such a review program. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on the auditee's fund accountability statements; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

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<sup>1</sup>On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the Guidelines.

<sup>2</sup> 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 objectives were mainly to: (1) express an opinion on whether the fund accountability statement for the period audited, was fairly presented, in all material respects; (2) evaluate the auditee's internal controls related to the USAID-funded program; and (3) determine whether the auditee complied with the agreement's terms and applicable laws and regulations. To answer the audit objectives, the auditor performed the subject financial audit that covered \$1,498,485 for the period from October 1, 2011, to September 29, 2013.

The auditors expressed an unmodified opinion on the fund accountability statement and did not identify any questioned costs. The auditors disclosed no significant deficiencies or material weaknesses in internal controls. However, the auditors identified one material instance of noncompliance related to inaccurate application of cost rates.

Since the award under audit ended, and USAID has no other current awards or subawards with Internews Network, RIG/Frankfurt is not including any procedural recommendations regarding the material instance of noncompliance. Nonetheless, for any future awards with this partner, USAID/West Bank and Gaza should require Internews Network to implement adequate policies and procedures addressing this finding, as disclosed on pages 23 to 24 of Talal Abu – Ghazaleh & Co.'s report.

We appreciate the assistance extended to our staff and the audit firm's staff during the engagement.

The 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").