



MEMORANDUM

DATE: May 08, 2018

TO: USAID/West Bank and Gaza Director, Monica Stein-Olson

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

SUBJECT: Fund Accountability Statement Audit of the Kaizen Company, Smart-X USAID Project in West Bank and Gaza, Agreement AID-294-A-14-00006, September 12, 2014, to September 30, 2015 (8-294-18-052-R)

This memorandum transmits the final report on the fund accountability statement audit of The Kaizen Company, Smart-X USAID Project in West Bank and Gaza, Agreement AID-294-A-14-00006, September 12, 2014, to September 30, 2015. The auditee contracted with the independent certified public accounting firm PricewaterhouseCoopers to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit firm states it performed its audit in accordance with generally accepted government auditing standards except that it did not participate in an external quality control review program. The audit firm says that West Bank and Gaza does not offer such a review program.

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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.

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 fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations². The audit objectives were mainly to: (1) express an opinion on whether the fund accountability statement for September 12, 2014, to September 30, 2015, was presented fairly, in all material respects; (2) evaluate the auditee's internal controls; and (3) determine whether the auditee complied with the award terms and applicable laws and regulations. The audit objectives also included testing the subawardee's compliance with Executive Order 13224 – Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism. To answer the audit objectives, the auditors performed the subject financial audit that covered \$124,198 in expenditures for September 12, 2014, to September 30, 2015.

The audit firm expressed an unmodified opinion on the fund accountability statement and did not identify any questioned costs. The audit firm did not identify any significant deficiencies or material weaknesses in internal control. The audit firm did not identify any material instances of noncompliance with the award terms and applicable laws and regulations. The auditors also did not identify any material instances of noncompliance with Executive Order 13224.

The report does not contain any recommendations for your action.

We appreciate the assistance extended to the audit 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").

Enclosed: a/s

² 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.