



## MEMORANDUM

**DATE:** May 22, 2019

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

**FROM:** USAID/OIG Middle East and Eastern Europe (M/EE) Regional Office, USDH NFA Coordinator, Abdoulaye Gueye /s/

**SUBJECT:** Close-out Compliance Examination of Palestinian Center for Democracy and Conflict Resolution's (PCDCR), Fixed Price Award AID-294-F-15-00009, Protective Environment for Children's Project, January 1 to November 30, 2017 (8-294-19-021-O)

This memorandum transmits the final close-out compliance examination report on PCDCR's compliance with the terms and conditions in its fixed price award AID-294-F-15-00009, Protective Environment for Children's project, for the period covering January 1 to November 30, 2017. USAID West Bank Gaza contracted with the independent certified public accounting firm Ernst & Young in Ramallah Palestine to conduct the subject examination. The contract required the audit firm to perform the engagement in accordance with U.S. Government Auditing Standards, Chapter 5, for General, Field Work, and Reporting Standards for Attestation.<sup>1</sup>

The audit firm states that it performed its audit in accordance with the above mentioned standards except that the audit firm did not have an external peer review because no such program is offered by professional organizations in the West Bank and Gaza. The audit firm is responsible for the enclosed report and the conclusions expressed in it.

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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 On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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 This contracted audit, however, required the audit firm to follow the subject rescinded guidelines until it issues its own.

We do not express an opinion on the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

The examination objectives were to (1) determine whether PCDCR complied in all material respects with the fixed price award terms and conditions and laws and regulations; and (2) provide reasonable assurance of detecting fraud, illegal acts, or violations of provisions of the award. The examination objectives also included testing PCDCR's compliance with Executive Order 13224 – Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism. To answer the engagement objectives, the audit firm performed the subject examination that covered the period from January 1 to November 30, 2017.

The auditors identified two material instances of non-compliance with the terms and conditions of the fixed amount award and one significant deficiency in internal controls due to a lack of adequate policies and procedures . Ernst & Young also noted certain immaterial instances of non-compliance that they reported to PCDCR in a separate letter dated February 21, 2018 . As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities, and as a result, PCDCR currently has no open awards with USAID. We are not including procedural recommendations regarding the one significant deficiency in internal control weaknesses and the two material noncompliance instances. However, if USAID/West Bank and Gaza considers future awards to PCDCR, it should ensure that adequate policies and procedures are implemented to address these findings, as detailed on pages 11 to 15 of Ernst & Young's report.

The report does not contain any recommendation for your action.

We appreciate the assistance extended during the engagement.

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").

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<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 engagement performed.