



MEMORANDUM

DATE: October 22, 2019

TO: USAID/West Bank and Gaza, Acting Mission Director, Courtney Chubb

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

SUBJECT: Closeout Audit of the Cost Representation Statement of Development Alternative, Inc. Under the Effective Governance Program in West Bank & Gaza, Contract AID-294-C-13-00003, April 1 to September 30, 2015 (8-294-20-009-R)

This memorandum transmits the final closeout audit of the cost representation statement of Development Alternative (DAI), Inc. under the Effective Governance program in West Bank & Gaza, contract AID-294-C-13-00003, from April 1, 2015, to September 30, 2015. DAI contracted with the independent certified public accounting firm Talal Abu-Ghazaleh & Co. to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Organizations.¹ However, it did not participate in an external quality control review program because West Bank does not offer such a review program. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on DAI's cost representation statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The audit objectives were mainly to: (1) express an opinion on whether the contractor's incurred costs for the period audited are allowable, reasonable, and allocable to the contract;

¹ On June 30, 2017, USAID OIG rescinded its "Guidelines for Financial Audits Contracted by Foreign Recipients," recognizing the Agency's role to impose requirements on its implementing partners and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

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.

(2) evaluate and obtain a sufficient understating of DAI's internal controls; and (3) determine whether DAI complied, in all material respects, with the contract terms and applicable laws and regulations, including testing the contractor's compliance with Executive Order 13224 – Blocking Property and Prohibiting Transactions With Person Who Commit, Threaten to Commit, or Support Terrorism. To answer the audit objectives, the auditors performed the subject audit that covered \$290,735 for the period April 1, 2015 to September 30, 2015.

The audit expressed a qualified opinion on the cost representation statement and questioned \$2,253 in total ineligible questioned costs. The auditors didn't identify any material weaknesses in internal control but identified one material instance of noncompliance with the award terms and applicable rules and regulations. The auditors did not identify any material instances of noncompliance with Executive Order 13224. 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/West Bank and Gaza determine the allowability of the \$2,253 in questioned costs and recover any amount determined to be unallowable. As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities, and as a result, DAI had its activities terminated and currently has no open awards with USAID. RIG/Frankfurt is not including procedural recommendation regarding the one material noncompliance instance. However, if USAID/West Bank and Gaza considers future awards to DAI, it should ensure that adequate policies and procedures are implemented to address this finding, as detailed on pages 18 of Talal Abu- Ghazaleh & Co audit report.

The report does not include any recommendations 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").