



## MEMORANDUM

**DATE:** January 30, 2020

**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 Examination of Shades' Compliance With Terms and Conditions of Fixed Amount Award AID-294-F-16-00002, Shades Negotiation Project in West Bank and Gaza, September 20, 2016 to September 19, 2017 (8-294-20-018-O)

This memorandum transmits the final report on the closeout examination of Shades' compliance with terms and conditions of fixed amount award AID-294-F-16-00002, Shades Negotiation Project in West Bank and Gaza, from September 20, 2016 to September 19, 2017. USAID/West Bank and Gaza contracted with the independent certified public accounting firm Ernst & Young-Middle East to conduct the examination. The audit firm stated that it performed the examination in accordance with U.S. Government Auditing Standards for attestation engagements and the attestation standards established by the American Institute for Certified Public Accountants. However, it did not participate in an external quality control review program because West Bank and Gaza 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 Shades' internal control effectiveness or its compliance with the award, laws, and regulations.<sup>1</sup>

The engagement objectives were mainly to: (1) determine whether Shades complied with the terms and conditions of the award, including compliance with Executive Order 13224 – Blocking Property and Prohibiting Transactions with Persons who commit, Threaten to Commit, or Support Terrorism; and (2) provide reasonable assurance of detecting fraud, illegal acts, or violations of provisions of the award. To answer the engagement objectives, the audit

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<sup>1</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 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.

firm performed the subject examination engagement that covered the period from September 20, 2016 to September 19, 2017.

The auditors identified one material internal control weakness related to the absence of adequate policies and procedures to manage USAID awards, and one material instance of noncompliance with Executive Order 13224 requirements resulting in a questioned costs of \$16,733.

As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities, and as a result, Shades had its activities terminated and currently has no open awards with USAID. USAID/OIG ME/EE Regional Office is not including procedural recommendations regarding the material internal control weakness and the material instance of noncompliance. However, if USAID/West Bank and Gaza considers future awards to Shades, it should ensure that adequate policies and procedures are established and implemented to address these findings, as detailed on pages 9, and 10 of the examination report. Since the questioned cost amount 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 make a determination on the \$16,733 of questioned cost and recover from Shades any amounts it determines as unallowable. During our desk review, we noted minor issues which the audit firm will need to address in future reports. We presented these issues in a letter to the controller, dated January 30, 2020.

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").