



## OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

### MEMORANDUM

**DATE:** July 13, 2023

**TO:** USAID/Egypt, Acting Mission Director, Margret Sancho

**FROM:** USAID/OIG Middle East and Eastern Europe (ME/EE) Regional Office, Assistant Director, David Clark \s\

**SUBJECT:** Audit of the Schedule of Expenditures of Al Gora Community Development Association, Enhance Sustainable Development in North Sinai in Egypt, Cooperative Agreement 72026320CA00004, July 1, 2021 to June 30, 2022. (8-263-23-025-R)

This memorandum transmits the final audit report on the schedule of expenditures of Al Gora Community Development Association, Enhance Sustainable Development in North Sinai in Egypt, cooperative agreement 72026320CA00004, from July 1, 2021 to June 30, 2022. The auditee contracted with the independent audit firm Mazars to conduct the audit. The audit firm stated that it performed the audit in accordance with Government Auditing Standards. 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 schedule of expenditures; the effectiveness of its internal controls; or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether the schedule of expenditures for the period audited 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. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$863,164 from July 1, 2021 to June 30, 2022.

The audit firm concluded that except for the effect of the questioned costs and departure from the cash basis accounting policy, the schedule of expenditures presents fairly, in all material respects, program revenues and costs incurred under the award for the audited period. The

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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 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.

auditors identified \$22,608 of ineligible questioned cost. The auditors identified two material instances of noncompliance with the agreement's terms, conditions and applicable laws and regulations and three material internal control weaknesses related to (a) not defining the conflict of interest for renting its own premises to the project in the auditee's manual of policies and procedures; (b) not having a fidelity bond for the cash custodian, and (3) not performing physical inventory counts. 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/Egypt determine the allowability of the \$22,608 of ineligible questioned costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/Egypt determine if the recipient addressed the issue noted. The audit firm also issued a management letter that noted other matters involving internal control and its operations. Further, we noted that the audit report included personally identifiable information (PII) and we will include this as an area for improvement in our deficiency memo to the mission.

During our desk review, we noted areas for improvement which the audit firm should address in future audit reports. We presented these areas in a memo to the controller dated July 13, 2023.

To address the issues identified in the report, we recommend that USAID/Egypt:

**Recommendation 1.** Verify that Al Gora corrects the two material instances of noncompliance detailed on pages 12 to 15 of the audit report.

**Recommendation 2.** Verify that Al Gora corrects the three material weaknesses in internal control detailed on pages 14 to 17 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.<sup>2</sup>

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<sup>2</sup> The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to [oignotice\\_ndaa5274@usaid.gov](mailto:oignotice_ndaa5274@usaid.gov).