



MEMORANDUM

DATE: March 25, 2021

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, John Vernon /s/

SUBJECT: Audit of the Fund Accountability Statement of Hand in Hand: Center for Jewish-Arab Education in Israel, Mainstreaming Shared Society Project in West Bank and Gaza, Cooperative Agreement 72029418CA00005, September 28, 2018, to December 31, 2019 (8-294-21-018-N)

This memorandum transmits the final audit report on the fund accountability statement of Hand in Hand: Center for Jewish-Arab Education in Israel, Mainstreaming Shared Society Project in West Bank and Gaza, cooperative agreement 72029418CA00005, from September 28, 2018, to December 31, 2019. USAID/West Bank and Gaza contracted with the independent certified public accounting firm Ernst and Young-Middle East to conduct the audit. The audit firm stated that it performed the audit in accordance with U.S. Government auditing standards. However, it did not have an external quality control review program that fully satisfies the standards' requirements. The audit firm explained that professional organizations in West Bank and Gaza do 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 the auditee's fund accountability statement; the effectiveness of its internal controls; or its compliance with the award, laws, and regulations.¹

The audit objectives were mainly to: (1) express an opinion on whether the fund accountability statement 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 \$460,834 from September 28, 2018, to December 31, 2019.

¹ 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.

The audit firm expressed a qualified opinion on the fund accountability statement and questioned \$33,389 (\$14,089 ineligible and \$19,300 unsupported). The audit firm identified two material internal control weaknesses pertaining to (a) inaccurate recording of the actual time worked for the USAID program on the timesheets and (b) inadequate supporting documentation of the USAID program costs and the cost share contribution. Further, the audit firm identified one material instance of noncompliance. The audit firm also questioned \$999 of unsupported costs in the cost share contribution. Although, we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/West Bank and Gaza determine if the recipient addressed the issue noted. Hand in Hand: Center for Jewish-Arab Education in Israel is not subject to mission order number 21 and executive order 13224 (Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism requirements), as the program falls outside the scope of the mandatory provisions underlying mission order 21. Furthermore, the audit firm issued a management letter.

To address the issues identified in the report, we recommend that USAID/West Bank and Gaza:

Recommendation 1: Determine the allowability of \$34,388 in questioned costs (\$14,089 ineligible and \$20,299 unsupported) detailed on page 20 of the audit report and recover any amounts that is unallowable.

Recommendation 2: Verify that Hand in Hand: Center for Jewish-Arab Education in Israel, corrects the two material internal control weaknesses detailed on pages 16 and 17 of the audit report.

Recommendation 3: Verify that Hand in Hand: Center for Jewish-Arab Education in Israel, corrects the instance of material noncompliance detailed on page 19 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”).