



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

MEMORANDUM

DATE: January 26, 2022

TO: USAID/West Bank and Gaza, Mission Director, Aler Grubbs

FROM: USAID/OIG Middle East and Eastern Europe (ME/EE) Regional Office,
Supervisory Auditor, John Vernon /s/

SUBJECT: Closeout Audit of the Fund Accountability Statement of Moona, Co-Lab Project
in West Bank and Gaza, Cooperative Agreement AID-294-A-16-00004, January 1
to September 14, 2019 (8-294-22-007-N)

This memorandum transmits the final closeout audit report of the fund accountability statement of Moona, Co-Lab project in West Bank and Gaza, cooperative agreement 294-A-16-00004, from January 1 to September 14, 2019. USAID/West Bank and Gaza contracted with the independent certified public accounting firm Ernst & 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 because professional organizations in West Bank and Gaza do not offer such a 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 \$154,252, from January 1 to September 14, 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 identified \$14,972 of total questioned costs (ineligible costs \$8,129 and unsupported costs \$6,843). The auditor also identified \$4,407 and \$1,657 of cost sharing contribution ineligible costs and shortfall amounts respectively. The audit firm identified one material internal control weaknesses related to level of effort reporting and three material instances of noncompliance with the agreement's terms, conditions and applicable laws and regulations. The audit firm said that the program is not subject to mission order number 21 and executive order number 13224, as it falls outside the scope of the mandatory provisions underlying mission order number 21. 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 determines the allowability of the \$19,379 in total questioned costs, and the \$1,657 of cost sharing contribution shortfall, and recover any amounts as it finds appropriate. In addition, although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that USAID/West Bank and Gaza determine if the recipient addressed the issues noted. The audit firm issued a management letter. Appendix (I) and (II) of the audit report included personally identified information.

During our desk review, we noted a minor issue which the audit firm would need to address in future audit reports. We presented this issue in a memo to the controller dated January 26, 2022.

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

Recommendation 1. Verify that Moona corrects the one material weaknesses in internal control detailed on pages 18 and 19 of the audit report.

Recommendation 2. Verify that Moona corrects the three material instances of noncompliance, as detailed on pages 23, 24, and 25 of the audit report and recover any amounts as it finds appropriate,

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

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").