



USAID
FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

AUDIT OF THE FUND ACCOUNTABILITY
STATEMENT OF LOCALLY INCURRED COSTS OF
USAID RESOURCES MANAGED BY YOUNG MEN'S
CHRISTIAN ASSOCIATION, UNDER COOPERATIVE
AGREEMENT NO. 294-A-00-02-00227-00, JOB
OPPORTUNITIES THROUGH BASIC SERVICES,
FOR THE PERIOD FROM OCTOBER 1, 2004, TO
SEPTEMBER 30, 2005

AUDIT REPORT NO. 6-294-07-025-N
MARCH 12, 2007

CAIRO, EGYPT

Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public.



USAID
FROM THE AMERICAN PEOPLE

Office of Inspector General

Report No. 6-294-07-025-N

March 12, 2007

MEMORANDUM

TO: USAID/West Bank and Gaza Director, Howard Sumka

FROM: Regional Inspector General/Cairo, David H. Pritchard /s/

SUBJECT: Audit of the Fund Accountability Statement of Locally Incurred Costs of USAID Resources Managed by Young Men's Christian Association, Under Cooperative Agreement No. 294-A-00-02-00227-00, Job Opportunities Through Basic Services, for the Period From October 1, 2004, to September 30, 2005

The Regional Inspector General/Cairo is transmitting one copy of the report that the independent firm, El Yousef and Co., conducted on the subject audit.

El Yousef and Co. conducted the audit in accordance with Generally Accepted Government Auditing Standards except that the firm did not have an external quality control review by an unaffiliated organization because professional organizations in the West Bank and Gaza do not offer such a review program.

USAID/West Bank and Gaza provided \$6,088,894 in funds to Young Men's Christian Association (YMCA) under the subject award to create immediate short term jobs and vital educational and recreational opportunities for at least 230,000 Palestinian youth in the West Bank and Gaza. The audit covered costs of \$1,783,128 for the period from October 1, 2004, to September 30, 2005.

The audit included: (1) expressing an opinion on the fund accountability statement; (2) obtaining an understanding of YMCA's internal control structure and assessing control risk; and (3) determining YMCA's compliance with the Agreement terms and applicable laws and regulations. The audit tested YMCA's compliance with Executive Order 13224 – Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, Or Support Terrorism.

The audit expressed a qualified opinion on the Fund Accountability Statement. The auditors identified questioned unsupported costs of \$1,120, representing Value Added Tax not refunded to USAID as per Section 579 of the Foreign Operations Act of 2003—"Prohibition of Taxation of the United States Assistance." The auditors did not identify any material internal control weaknesses or any reportable instances of non-compliance with applicable laws and regulations. Further, the auditors did not identify any reportable instances of non-compliance with Executive Order 13224.

YMCA concurred with the questioned costs. RIG/Cairo concurs with the auditors' position, and is therefore including one recommendation in USAID's Consolidated Audit Tracking System:

Recommendation No. 1: We recommend that the Agreement Officer, USAID/West Bank and Gaza, make a management decision on the questioned unsupported costs of \$1,120, as detailed on page 19 of El Yousef and Co. report, and recover from YMCA any amounts determined to be unallowable.

Please advise the Office of Inspector General within 30 days of this memorandum of the action planned or taken to implement the recommendation. The Audit, Performance and Compliance Division (M/CFO/APC) will make the determinations of final action.

Enclosures: a/s

**Audit of the Fund Accountability Statement
Of Locally Incurred Costs
Of USAID Resources Managed by**

**Young Men's Christian Association (YMCA)
Under Cooperative Agreement No. 294-A-00-02-00227-00
"Job Opportunities Through Basic Services (JOBS)"
For the Period from October 1, 2004 to September 30, 2005**

**Audit of the Fund Accountability Statement
Of Locally Incurred Costs
Of USAID Resources Managed by**

Young Men's Christian Association

**Under Cooperative Agreement No. 294-A-00-02-00227-00
“Job Opportunities Through Basic Services (JOBS)”
For the Period from October 1, 2004 to September 30, 2005**

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Transmittal Letter | 1 |
| Transmittal Summary | 2 - 5 |
| Independent Auditors' Report - Fund Accountability Statement | 6 - 7 |
| Fund Accountability Statement of Locally Incurred Costs | 8 |
| Notes to the Fund Accountability Statement | 9 - 12 |
| Independent Auditors' Report - Internal Control | 13 - 14 |
| Independent Auditors' Report - Compliance | 15 |
| Independent Auditors' Report – Cost Sharing Schedule | 16 |
| Cost Sharing Schedule | 17 |
| Schedule of questioned costs | 18-19 |
| Attachments: | |
| Management Response to Audit Summary of Findings | 20 |

El Yousef & Co.

Certified Public Accountants
Member Firm of Deloitte Touche Middle East in Palestine

P.O.Box 359
Ramallah
Palestine

Az Zahra Street
Al Shami Bldg.
Ramallah

Tel: +972 2 295 4714
Fax: +972 2 298 4703
Email: yelousef@deloitte.com

Ramallah, June 1, 2006

**Regional Inspector General
USAID / Cairo**

Dear Sir,

Please find attached our report on the fund accountability statement of locally incurred costs covering the period from October 1, 2004 to September 30, 2005, report on internal control, report on compliance, summary of audit findings, report on cost sharing, and schedule of questioned costs relating to cooperative Agreement number 294-A-00-02-00227-00 "Job Opportunities Through Basic Services (JOBS)" implemented by East Jerusalem Young Men's Christian Association (YMCA) here and after is referred to YMCA..

Sincerely yours,



**El Yousef & Co.
Certified Public Accountants
Yacoub El Yousef (CPA)**

**Audit of the Fund Accountability Statement
Of Locally Incurred Costs
Of USAID Resources Managed by
Young Men's Christian Association (YMCA)
Under Cooperative Agreement No 294-A-00-02-00227-00
“Job Opportunities Through Basic Services (JOBS)”
For the Period from October 1, 2004 to September 30, 2005
Transmittal Summary**

Background

1.1 USAID Award

The United States Agency for International Development (USAID), mission to West Bank and Gaza provided \$6,088,894 in funds to Young Men's Christian Association (YMCA - USA) under award 294-A-00-02-00227-00 to create immediate short-term jobs and vital educational and recreational opportunities for at least 230,000 Palestinian youth in the West Bank and Gaza. The program will accomplish this through the rehabilitation of 30 youth centers, the construction of YMCA Youth Recreation Center in Ramallah, the development of after-school programs at 65 youth centers, and the rehabilitation of two centers for the disabled and the construction of disabled access facilities.

The National Council of YMCA of the United States and East Jerusalem YMCA through the Document of Understanding (DOU) acknowledged that the United States Agency for International Development USAID awarded Cooperative Agreement 294-A-00-02-00227-00 to the International Group of YMCA of the USA to support youth development in the West Bank and Gaza under grant title “YMCA Youth Opportunities II Program”.

The National Council of YMCA of the United States granted to East Jerusalem YMCA the sum of U.S. \$ 4,635,015 in financial support for the YMCA Youth Opportunities II Program. The program would create jobs and vital educational and recreational opportunities for youth. The aforementioned amount is to be used by East Jerusalem YMCA within the terms of the DOU exclusively for the purposes set forth in this DOU.

Under the Cooperative Agreement the YMCA USA Current NICRA allows for a Provisional rate of 35% (effective July 1, 2003 until amended) applied to Total Direct Costs. YMCA USA would bill USAID for NICRA at the rate of only 20% of the Total Direct Costs and would cost-share the remainder for the life of this Agreement.

Based on the scope of the audit set by USAID our audit was limited to expenditures locally incurred. Accordingly we have audited the attached Fund Accountability Statement that was prepared by the East Jerusalem YMCA in accordance with the DOU signed between the National Council of YMCA of the United States and East Jerusalem YMCA, which does not include indirect costs as stated above. Therefore we were unable to extend audit procedures to include making a determination whether the recipient (YMCA USA) charged indirect costs to USAID using an authorized provisional or final indirect cost rate.

*Young Men's Christian Association (YMCA)
Job Opportunities Through Basic Services (JOBS)
Under Cooperative Agreement No. 294-A-00-02-00227-00
October 1, 2004 to September 30, 2005
Transmittal Summary*

Details of the revised budget according to modification number 2 to the contract between USAID and YMCA is as follows:

| Budget Line Item | USAID Funding YMCA JOBS | USAID Funding Urban Partnership Grants | Total USAID Contributions | YMCA Contributions | Total |
|--------------------------------------|----------------------------------|--|------------------------------|-----------------------|------------------|
| Personnel | 921,567 | 68,690 | 990,257 | - | 990,257 |
| Fringe Benefits | 191,476 | 8,624 | 200,100 | - | 200,100 |
| Travel | 99,750 | 4,800 | 104,550 | - | 104,550 |
| Equipment | 140,500 | 63,000 | 203,500 | - | 203,500 |
| Supplies | 567,392 | 9,960 | 577,352 | - | 577,352 |
| Contractual | 93,900 | 27,420 | 121,320 | - | 121,320 |
| Construction | 2,769,500 | - | 2,769,500 | - | 2,769,500 |
| Other | 40,000 | - | 40,000 | - | 40,000 |
| Youth Opportunities Program II | - | - | - | 1,078,000 | 1,078,000 |
| Service Project Seed Money | - | 67,500 | 67,500 | 12,501 | 80,001 |
| Total Direct | 4,824,085 | 249,994 | 5,074,079 | 1,090,501 | 6,164,580 |
| Costs | | | 5,074,079 | 1,090,501 | 6,164,580 |
| * Indirect Costs | 964,816 | 49,999 | 1,014,815 | 712,870 | 1,727,685 |
| Total | 5,788,901 | 299,993 | 6,088,894 | 1,803,371 | 7,892,265 |

* YMCA's Current NICRA allows for a Provisional rate of 35% (effective July 1, 2003 until amended) applied to Total Direct Costs. YMCA would bill USAID for NICRA at the rate of only 20% of the Total Direct Costs and would cost-share the remainder for the life of this Agreement.

1.2 Project Background:

The YMCA Youth Opportunities program seeks to create immediate short term jobs and vital educational and recreational opportunities for at least 230,000 Palestinian youth in the West Bank and Gaza. The program will accomplish this through the rehabilitation of 30 youth centers, the construction of YMCA Youth Recreation Center in Ramallah, the development of after-school programs at 65 youth centers, and the rehabilitation of two centers for the disabled and the construction of disabled access facilities.

Objectives and Scope of the Audit

The specific objectives of the audit are to:

1. Express and opinion on whether the fund accountability statement for JOBS presents fairly, in all material respects, revenue received, cost incurred, and commodities / technical assistance directly procured by USAID for the period audited in conformity with the terms of the awards and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modification of the cash basis).

2. Evaluate and obtain a sufficient understanding of Young Men's Christian Association (YMCA) internal control structure related to the project, assess control risk, and identify reportable conditions, including material internal control weaknesses. This understanding should include a consideration of the methods an entity uses to process accounting information because such methods influence the design of internal controls. This evaluation should include the internal controls related to required cost-sharing contributions. If the project is completed and USAID is not providing, or planning to provide, additional funding in the immediate future to the recipient for any purpose, this step is not applicable. However, a risk assessment should still be performed in order to determine the extent of substantive testing expenditures;
3. Perform tests to determine whether of Young Men's Christian Association (YMCA) complied, in all material respects, with the award terms including cost-sharing and applicable laws and regulations related to the project that have a direct and material affect on the fund accountability statement. All material instances of noncompliance and all indications of illegal acts should be identified. Such tests shall include: (a) the compliance requirements related to required cost-sharing contributions, (b) compliance with the prohibition on paying value added tax (VAT) with USAID funds; and (c) compliance with executive Order 13224 – *Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism*.
4. Perform tests to determine whether the recipient charged indirect costs to USAID using an authorized provisional or final indirect cost rate. If a provisional rate was used prior to USAID negotiating final rates, determine if the final rate was applied retroactively.
5. Determine if the recipient has taken adequate corrective action on prior audit report recommendations.

Except as described in the following paragraphs, we conducted our audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.52 of U.S. Government Auditing Standards since no such program is offered by professional organizations in Palestine. We believe that the effect of this departure from U.S. Government Auditing Standards is not material because we participate in the Deloitte Touche worldwide internal quality control review program which required our office to be subjected, every three years, to an extensive quality control review by partners and managers from other affiliate offices.

Audit Results

The results of our tests disclosed questioned costs in the amount of US\$ 1,120, as detailed in the fund accountability statement that are explicitly questioned because they are unsupported.

Management Comments

Young Men's Christian Association (YMCA) management responses to questioned costs and findings have been obtained and are included in the summary of findings attached on page 16 to our report. A summary of management response and our related conclusions is as follows:

- Management concurred that the Value Added Tax for the purchase of water equipment from Al-Shabar Stores for the construction of the YMCA Sport Center in Ramallah was not submitted to USAID on a timely manner due to an oversight. Subsequently, on June 25, 2006, management submitted the invoice to USAID.

Internal Control

We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

Compliance with Laws and Regulations

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under U.S. Government Auditing Standards.

Compliance with Executive Order 13224

The results of our audit disclosed no instances of non compliance with USAID directive AAPD 02-04 and AAPD 04-14, implementation of E.O. 13224 – Terrorism financing and certification.

Compliance with Section 579 of the Foreign Operations Act of 2003

The result of our audit disclosed questioned costs in the amount of U.S. \$ 1,120 which is not in compliance with Section 579 of the Foreign Operation Act of 2003 "Prohibition on Taxation of the United States Assistance". (See summary of findings and management response)

Compliance with 22 CFR Chapter 11, section 226.22 Payment

The result of our audit disclosed no instances, of non-compliance by East Jerusalem YMCA including the use of interest bearing accounts that are required to be reported herein under U.S. Government Auditing Standards. Final accounting for interest earned for the life of the grant between The National Council of YMCA of the United States and East Jerusalem YMCA shall be made at the close of the Agreement.

Status of prior audit recommendations

Prior audit was conducted by another audit firm on the same contract for the period from October 1, 2002 to September 30, 2003, the results of the audit contained US\$ 1,672 as questioned costs and several compliance and internal control issues. Details of questioned costs and compliance and internal control issues and how they were resolved are as follow:

1. Travel Costs:
The questioned costs in the amount of US\$ 1,672 was refunded to USAID as per bill no. FY05-001 that USAID have issued to YMCA.
2. Marking:
Even though that marking is not a mandatory requirement under this cooperative agreement, YMCA marked all USAID funded property and construction sites as per USAID encouragement in the letter of the agreement officer dated November 24, 2004.
3. Income Tax:
Income tax dues were settled for all unpaid months.
4. Compliance with Acquisition and Assistance Policy Directive # AAPD 02-04:
YMCA has complied with AAPD 02-04 by including the mandatory clauses as amendments in all related contracts and subcontracts.

El Yousef & Co.

Certified Public Accountants
Member Firm of Deloitte Touche Middle East in Palestine

P.O.Box 359
Ramallah
Palestine

Az Zahra Street
Al Shami Bldg.
Ramallah

Tel: +972 2 295 4714
Fax: +972 2 298 4703
Email: yelyousef@deloitte.com

Independent Auditors' Report on the Fund Accountability Statement

Regional Inspector General USAID / Cairo

We have audited the fund accountability statement of Locally Incurred Costs of USAID resources managed by Young Men's Christian Association (YMCA) under cooperative agreement No. 294-A-00-02-00227-00 "Job Opportunities Through Basic Services" for the period from October 1, 2004 to September 30, 2005. The fund accountability statement is the responsibility of YMCA's management. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

In accordance with U.S. Government Auditing Standards, we have also issued our reports dated June 1, 2006, on our consideration of YMCA's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this Report in considering the results of our audit.

Except as described in the following paragraphs, we conducted our audit of the fund accountability statement in accordance with U.S. Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.52 of U.S. Government Auditing Standards since no such program is offered by professional organizations in Palestine. We believe that the effect of this departure from U.S. Government Auditing Standards is not material because we participate in the Deloitte Touche worldwide internal quality control review program which required our office to be subjected, every three years, to an extensive quality control review by partners and managers from other affiliate offices.

The results of our tests disclosed questioned costs in the amount of US\$ 1,120 as detailed in the fund accountability statement that are explicitly questioned because they are unsupported.

El Yousef & Co.

Certified Public Accountants
Member Firm of Deloitte Touche Middle East in Palestine

P.O.Box 359
Ramallah
Palestine

Az Zahra Street
Al Shami Bldg.
Ramallah

Tel: +972 2 295 4714
Fax: +972 2 298 4703
Email: yelousef@deloitte.com

We were not tasked to audit costs incurred by YMCA USA office in Chicago, Illinois and our audit was limited to those costs locally incurred.

In our opinion, except for the effects of the questioned costs discussed in the preceding paragraphs, the fund accountability statement referred to above presents fairly, in all material respects, revenues, costs incurred and reimbursed for the period from October 1, 2004 to September 30, 2005 in accordance with the terms of the contract and in conformity with the accounting basis described in Note 2 to the fund accountability statement.

This report is intended for the information of YMCA and the United States Agency for International Development (USAID). However, upon acceptance by USAID office of the Inspector General, this report is a matter of public record and its distribution is not limited.



El Yousef & Co.
Certified Public Accountants
Yacoub El Yousef (CPA)

Ramallah, Palestine
June 1, 2006

Young Men's Christian Association (YMCA)

Job Opportunities Through Basic Services

Cooperative Agreement no. 294-A-00-02-00227-00

Fund Accountability Statement of Locally Incurred Costs

For the Period from October 1, 2004 to September 30, 2005

| | Note | US.\$ | Questioned Costs | |
|--|------|------------------|---------------------|----------------------|
| | | | Ineligible US.\$ | Unsupported US.\$ |
| Revenues | | | | |
| Transfer from YMCA - USA | | 2,075,883 | | |
| Total | | <u>2,075,883</u> | | |
| Program and Administrative Expenditures: | | | | |
| Personnel | 3.1 | 289,130 | - | - |
| Fringe Benefits | 3.2 | 45,421 | - | - |
| Travel | 3.3 | 39,092 | - | - |
| Equipment | 3.4 | 70,706 | - | - |
| Supplies | 3.5 | 104,567 | - | - |
| Contractual | 3.6 | 23,460 | - | - |
| Construction | 3.7 | 220,050 | - | - |
| Construction of YMCA Sport Center in Ramallah | | 918,219 | - | 1,120 |
| Youth Opportunities Program II | | <u>1,710,645</u> | | |
| Service Project Seed Money | 3.8 | 72,483 | - | - |
| Total Expenditures (Schedule - 2) | | <u>1,783,128</u> | <u>-</u> | <u>1,120</u> |
| Excess of Revenues over Expenditures for the period | | <u>292,755</u> | | |

See notes to fund accountability statement

**Audit of the Fund Accountability Statement
Of Locally Incurred Costs
Of USAID Resources Managed by**

**Young Men's Christian Association (YMCA)
Under Cooperative Agreement No. 294-A-00-02-00227-00
“Job Opportunities Through Basic Services (JOBS)”**

For the Period from October 1, 2004 to September 30, 2005

Notes to Fund Accountability Statement

1 Background Information

1.1 USAID Contract

The United States Agency for International Development (USAID), mission to West Bank and Gaza provided \$6,088,894 in funds to Young Men's Christian Association (YMCA) under award 294-A-00-02-00227-00 to create immediate short-term jobs and vital educational and recreational opportunities for at least 230,000 Palestinian youth in the West Bank and Gaza. The program will accomplish this through the rehabilitation of 30 youth centers, the construction of the YMCA Youth Recreation Center in Ramallah, the development of after-school programs at 65 youth centers, and the rehabilitation of two centers for the disabled and the construction of disabled access facilities.

The National Council of YMCA of the United States and East Jerusalem YMCA through the document of understanding (DOU) acknowledged that the United States Agency for International Development USAID awarded Cooperative Agreement 294-A-00-02-00227-00 to the International Group of YMCA of the USA to support youth development in the West Bank and Gaza under grant title “YMCA Youth Opportunities II Program”.

The National Council of YMCA of the United States granted to East Jerusalem YMCA the sum of U.S. \$ 4,635,015 in financial support for the YMCA Youth Opportunities II Program. The program would create jobs and vital educational and recreational opportunities for youth. The aforementioned amount is to be used by East Jerusalem YMCA within the terms of the DOU exclusively for the purposes set forth in this DOU.

Based on the scope of audit set by USAID our audit was limited to expenditures locally incurred in accordance with the DOU signed between The National Council of YMCA of the United States and East Jerusalem YMCA.

*Young Men's Christian Association (YMCA)
Job Opportunities Through Basic Services (JOBS)
Under Cooperative Agreement No. 294-A-00-02-00227-00
October 1, 2004 to September 30, 2005
Notes to Fund Accountability Statement*

Details of the revised budget according to modification number 2 to the contract between USAID and YMCA as follows:

| Budget Line Item | USAID | | Total USAID | YMCA | |
|--------------------------------|------------------|--------------------|----------------------|----------------------|----------------------|
| | Funding | Funding | | Contributions | Contributions |
| | YMCA | Urban | | | Total |
| | JOBS | Partnership | Contributions | Contributions | |
| | | Grants | | | |
| Personnel | 921,567 | 68,690 | 990,257 | - | 990,257 |
| Fringe Benefits | 191,476 | 8,624 | 200,100 | - | 200,100 |
| Travel | 99,750 | 4,800 | 104,550 | - | 104,550 |
| Equipment | 140,500 | 63,000 | 203,500 | - | 203,500 |
| Supplies | 567,392 | 9,960 | 577,352 | - | 577,352 |
| Contractual | 93,900 | 27,420 | 121,320 | - | 121,320 |
| Construction | 2,769,500 | - | 2,769,500 | - | 2,769,500 |
| Other | 40,000 | - | 40,000 | - | 40,000 |
| Youth Opportunities Program II | - | - | - | 1,078,000 | 1,078,000 |
| Service Project Seed Money | - | 67,500 | 67,500 | 12,501 | 80,001 |
| Total Direct | 4,824,085 | 249,994 | | | |
| Costs | | | 5,074,079 | 1,090,501 | 6,164,580 |
| * Indirect Costs | 964,816 | 49,999 | 1,014,815 | 712,870 | 1,727,685 |
| Total | 5,788,901 | 299,993 | 6,088,894 | 1,803,371 | 7,892,265 |

* YMCA's Current NICRA allows for a Provisional rate of 35% (effective July 1, 03 until amended) applied to Total Direct Costs. YMCA would bill USAID for NICRA at the rate of only 20% of the Total Direct Costs and would cost-share the remainder for the life of this Agreement.

1.2 Project Background:

The YMCA Youth Opportunities program seeks to create immediate short term jobs and vital educational and recreational opportunities for at least 230,000 Palestinian youth in the West Bank and Gaza. The program will accomplish this through the rehabilitation of 30 youth centers, the construction of YMCA Youth Recreation Center in Ramallah, the development of after-school programs at 65 youth centers, and the rehabilitation of two centers for the disabled and the construction of disabled access facilities.

2 Fund Accountability Statement – Basis of Preparation

The attached fund accountability statement was prepared on the basis as set below:

- Accrual basis of accounting under which disbursements are recognized when the obligation is incurred rather than when paid, and revenues are recognized when earned rather than when received.
- Reporting requirements of the contract with USAID.
- YMCA East Jerusalem reporting currency is the U.S. Dollar. However, transactions which are denominated in local currency – New Israeli Shekel – are translated to U.S. Dollar at the rate of exchange prevailing at the date of each transaction.

3 Details of Balances:

3.1 Personnel costs by activity line item are as follows:

| | <u>US \$</u> |
|---|-----------------------|
| Youth Center Rehabilitation | 89,041 |
| Disabled Access Centers | 56,442 |
| Urban Partnership | 59,966 |
| Enhancing Service in Newly Elected Councils | 53,688 |
| Administration | <u>29,993</u> |
| | <u>289,130</u> |

3.2 Fringe Benefits by activity line item are as follows:

Details are as follows:

| | <u>US \$</u> |
|---|----------------------|
| Youth Center Rehabilitation | 6,060 |
| Disabled Access Centers | 14,918 |
| Urban Partnership | 8,108 |
| Enhancing Service in Newly Elected Councils | 5,106 |
| Administration | <u>11,229</u> |
| | <u>45,421</u> |

3.3 Travel by activity line item is as follows:

| | <u>US \$</u> |
|---|----------------------|
| Youth Center Rehabilitation | 8,617 |
| Disabled Access Centers | 18,364 |
| Urban Partnership | 3,993 |
| Enhancing Service in Newly Elected Councils | 3,928 |
| Administration | <u>4,190</u> |
| | <u>39,092</u> |

3.4 Equipment:

Equipment acquired for project beneficiaries:

| | <u>US \$</u> |
|-------------------------|----------------------|
| Equipment and Computers | 45,993 |
| Sport Equipment | 9,370 |
| Furniture | 8,275 |
| Musical Equipment | 3,600 |
| Others | <u>1,457</u> |
| | <u>68,695</u> |

Equipment acquired for YMCA administration purposes:

| | |
|-----------|----------------------|
| Furniture | <u>2,011</u> |
| | <u>70,706</u> |

3.5 Supplies by activity line item is as follows:

| | US \$ |
|---|----------------|
| After Schools Activities | 86,972 |
| Urban Partnership | 6,421 |
| Enhancing Service in newly elected councils | 5,836 |
| Administration | 5,338 |
| | 104,567 |

3.6 Contractual by activity line item is as follows:

| | US \$ |
|--|---------------|
| Counselors Training Courses | 850 |
| Basic Capacity Building Training Courses | 9,360 |
| Career Counseling Training Courses | 9,450 |
| Service Project Skills Training Courses | 3,800 |
| | 23,460 |

3.7 Construction by activity line item is as follows:

| | US \$ |
|---|----------------|
| Youth Centers | 137,123 |
| Disabled Activities | 82,466 |
| Enhancing Service in newly elected Councils | 461 |
| | 220,050 |

3.8 Service Project Seed Money:

| | US \$ |
|----------------------------------|---------------|
| Hebron Youth Club | 7,735 |
| Hebron Ahli Club | 7,364 |
| Albireh Clutural Sport Center | 6,694 |
| Albireh Youth Club | 8,100 |
| Hittein Youth Club | 8,539 |
| Al-Malha Youth Club | 6,941 |
| Al-Mostaqbal Youth Club – Nablus | 6,763 |
| Beit Jala Orthodox Club | 7,772 |
| Al-Amari Youth Club | 12,575 |
| | 72,483 |

Budget for each individual organization beneficiary was set by YMCA to be U.S. \$ 7,500 while actual disbursements were as illustrated above.

El Yousef & Co.

Certified Public Accountants
Member Firm of Deloitte Touche Middle East in Palestine

P.O.Box 359
Ramallah
Palestine

Az Zahra Street
Al Shami Bldg.
Ramallah

Tel: +972 2 295 4714
Fax: +972 2 298 4703
Email: yelyousef@deloitte.com

Independent Auditors' Report on Internal Control

Regional Inspector General USAID / Cairo

We have audited the fund accountability statement of locally incurred costs of USAID resources managed by YMCA under cooperative agreement No. 294-A-00-02-00227-00 "Job Opportunities Through Basic Services" for the period from October 1, 2004 to September 30, 2005, and have issued our report thereon dated June 1, 2006.

With except for not having an external quality control review by an unaffiliated audit organization (as described in our report on the fund accountability statement), we conducted our audit of the fund accountability statement in accordance with U.S. Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

The management of YMCA is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the contracts; and transaction are recorded properly to permit the preparation of the fund accountability statement in conformity with the basis of accounting described in note 2 to the fund accountability statement. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the fund accountability statement referred to above, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

El Yousef & Co.

Certified Public Accountants
Member Firm of Deloitte Touche Middle East in Palestine

P.O.Box 359
Ramallah
Palestine

Az Zahra Street
Al Shami Bldg.
Ramallah

Tel: +972 2 295 4714
Fax: +972 2 298 4703
Email: yelousef@deloitte.com

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of YMCA and the United States Agency for International Development (USAID). However, upon acceptance by the USAID office of the Inspector General, this report is a matter of public record and its distribution is not limited.



El Yousef & Co.
Certified Public Accountants
Yacoub El Yousef (CPA)

Ramallah, Palestine
June 1, 2006

El Yousef & Co.

Certified Public Accountants
Member Firm of Deloitte Touche Middle East in Palestine

P.O.Box 359
Ramallah
Palestine

Az Zahra Street
Al Shami Bldg.
Ramallah

Tel: +972 2 295 4714
Fax: +972 2 298 4703
Email: yelyousef@deloitte.com

Independent Auditors' Report on Compliance

Regional Inspector General USAID / Cairo

We have audited the fund accountability statement of locally incurred costs of USAID resources managed by YMCA under cooperative agreement No. 294-A-00-02-00227-00 "Job Opportunities Through Basic Services" for the period from October 1, 2004 to September 30, 2005, and have issued our report thereon dated June 1, 2006.

With except for not having an external quality control review by an unaffiliated audit organization (as described in our report on the fund accountability statement), we conducted our audit of the fund accountability statement in accordance with U.S. Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement resulting from violations of contract terms and laws and regulations that have a direct and material effect on the termination on the fund accountability statement amounts.

Compliance with contract terms and laws and regulations applicable to the above mentioned contract is the responsibility of YMCA management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of YMCA compliance with certain provisions of contract terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported herein under U.S. Government Auditing Standards.

The results of our tests disclosed one instance of non compliance that are required to be reported herein under U.S. Government Auditing Standards, that we have reported to YMCA's management (Refer to the Schedule of Questioned Costs on Page 19).

This report is intended for the information of YMCA and the United States Agency for International Development (USAID). However, upon acceptance by the USAID office of the Inspector General, this report is a matter of public record and its distribution is not limited.



El Yousef & Co.
Certified Public Accountants
Yacoub El Yousef (CPA)

Ramallah, Palestine
June 1, 2006

El Yousef & Co.

Certified Public Accountants
Member Firm of Deloitte Touche Middle East in Palestine

P.O.Box 359
Ramallah
Palestine

Az Zahra Street
Al Shami Bldg.
Ramallah

Tel: +972 2 295 4714
Fax: +972 2 298 4703
Email: yelousef@deloitte.com

Independent Auditors' Review on the Cost – Sharing Schedule

Regional Inspector General USAID / Cairo

We have reviewed the accompanying cost-sharing schedule of “Job Opportunities Through Basic Services” USAID Cooperative Agreement 294-A-00-02-00227-00 for the period from October 1, 2004 to September 30, 2005 implemented by YMCA. Our review was conducted in accordance with standards established by the American Institute of Certified Public Accountant (AICPA). The purpose of our review was to determine if the cost-sharing schedule is fairly presented in accordance with Generally Accepted Accounting Principles. We also consider internal control related to the provisions of and accounting for cost-sharing contribution.

A review consists principally of inquiries of recipient personnel and analytical procedures applied to financial data. It is substantially more limited in scope than an examination, the objective of which is to express an opinion on the cost-sharing schedule. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that YMCA did not fairly present the cost-sharing schedule, in all material respects, in accordance with Generally Accepted Accounting Principles.

This report is intended for the information of YMCA and the United States Agency for International Development (USAID). However, upon acceptance by the USAID office of the Inspector General, this report is a matter of public record and its distribution is not limited.



**El Yousef & Co.
Certified Public Accountants
Yacoub El Yousef (CPA)**

**Ramallah, Palestine
June 1, 2006**

Young Men's Christian Association (YMCA)

Jobs Opportunities Through Basic Services

Cooperative Agreement no. 294-A-00-02-00227-00

Cost Sharing Schedule

For the Period from October 1, 2004 to September 30, 2005

| | Budget US.\$ | Actual for the Period US.\$ |
|----------------------------------|-------------------------|--------------------------------------|
| In Cash | | |
| YMCA | | |
| YMCA Ramallah Center | 1,078,000 | 272,379 |
| Seed Money | 12,501 | - |
| | <u>1,090,501</u> | <u>272,379</u> |
| Indirect Costs | <u>712,870</u> | - |
| Total YMCA Contribution | <u>1,803,371</u> | <u>272,379</u> |
| In Kind - Community share | | |
| Material and Supplies | - | 21,434 |
| Total Community Share | <u>-</u> | <u>21,434</u> |
| Total | <u><u>1,803,371</u></u> | <u><u>293,813</u></u> |

See notes to fund accountability statement

**Audit of the Fund Accountability Statement
Of Locally Incurred Costs
Of USAID Resources Managed by
Young Men's Christian Association (YMCA)**

**Under Cooperative Agreement No 294-A-00-02-00227-00
“Job Opportunities Through Basic Services (JOBS)”
For the Period from October 1, 2004 to September 30, 2005**

Schedule of Questioned Costs

| | <u>Questioned Cost (in US\$)</u> | |
|---|----------------------------------|--------------------|
| | Ineligible | Unsupported |
| Construction of YMCA Sport Center in Ramallah | | |
| The Value Added Tax for the purchase of water equipment from Al-Shabar Stores for the construction of the YMCA Sport Center in Ramallah, which was not refunded to USAID as per Section 579 of the Foreign Operation Act of 2003 “Prohibition of Taxation of The United States Assistance”. | - | 1,120 |
| | <u>-</u> | <u>1,120</u> |

Management Response:

Management concurred that the Value Added Tax invoice for the purchase of water equipment from Al-Shabar Stores for the construction of the YMCA Sport Center in Ramallah was not submitted to USAID on a timely manner due to an oversight. Subsequently, management has submitted the invoice to USAID for the refund of VAT Paid on June 25, 2006. Copy of management response is attached

Auditors’ Action:

YMCA took corrective action and submitted the invoice to USAID VAT department to claim the VAT, the amount will remain questioned until USAID reclaims the VAT.

Young Men Christian Association (YMCA)
"Job Opportunities Through Basic Services (JOBS)"
Under Cooperative Agreement No. 294-A-00-02-00227-00
October 1, 2004 to September 30, 2005

Management Response to Audit Summary of Findings



جمعية الشبان المسيحية-القدس
The East Jerusalem YMCA

1 July 2006

Mr. Yocoub Al Yousef
Palestine Offices Managing partner
Saba & Co \ Deloitte & Touche M.E
Jerusalem, 8 Al Zahra Str.
Jerusalem, Palestine

The Rt. Rev. Riah Abu El-Assal
Primate- Jerusalem
Chairperson

Andre' Batarseh
General Secretary

29 Nablus Road
P.O. Box 15023
East Jerusalem
Tel. +972 2 628 6888
Fax. +972 2 627 6301
e-mail: abatarseh@east-jerusalem-ymca.org

Subject: "Job Opportunities Basic Services (JOBS)"

Thank you for your E-mail dated 12 June 2006 and below please find our response to your recommendations.

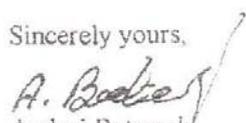
Equipment:

The 25 HP computers procured for the project were similar models to those purchased in 2003. They were also purchased from the same vendor, CMC who certified that the computers were more than 51% USA made, as per attached letter. Management is of the opinion that source of origin that applied in 2003 also applied for this similar model procured from the same company.

Construction:

Management concurred that the Value Added Tax for the purchase of water equipment from Al-Shabar Stores for the construction of the YMCA Sport Center in Ramallah was not submitted to USAID Vat Department on a timely manner due to an oversight. Subsequently, management has submitted the invoice to USAID Vat Department for the refund of VAT Paid on June 25, 2006

Sincerely yours,


Andre' Batarseh
General Secretary