



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: August 6, 2024

TO: USAID/Jordan, Mission Director, Leslie Reed

FROM: Middle East and Eastern Europe Regional Office, Audit Director, Louis Duncan, Jr. /s/

SUBJECT: Audit of Schedule of Expenditures of Engicon Co., Management Engineering Services Contract Phase II - Non-Revenue Water Project in Jordan, Contract 72027820C00002, January 1 to December 31, 2022 (8-278-24-022-N)

This memorandum transmits the final audit report on the schedule of expenditures of Engicon Co., Management Engineering Services Contract phase II - Non-Revenue Water project in Jordan, contract 72027820C00002, from January 1 to December 31, 2022. USAID/Jordan contracted with the independent audit firm Baker Tilly to conduct the audit. The audit firm stated it performed its audit in accordance with U.S. Government Auditing Standards, However, it did not have an external quality control review program. The audit firm explained that professional organizations in Jordan do not offer such a quality control 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 schedule of expenditures of USAID award; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the schedule of expenditures of USAID award 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 \$2,824,882 from January 1 to December 31, 2022.

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 concluded that the schedule of expenditures of USAID award presented fairly, in all material respects, program revenues and costs incurred and reimbursed under the award for the audit period and did not identify any questioned costs. The audit firm did not identify any material weaknesses in internal control or any material instances of noncompliance with the award terms, applicable rules, and regulations. Further, the audit firm stated that an amount of \$194,233 representing excess of indirect costs per negotiated indirect cost rates above final indirect cost rates, should be reimbursed to USAID.

During our desk review, we noted several areas for improvement which the audit firm should address in future audit reports. We presented these deficiencies in a memo to the Controller dated August 6, 2024

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

Recommendation 1. Determine the allowability of the questioned ineligible amount of \$194,233, on page 11 of the audit report and recover any amount that is unallowable.

USAID/Jordan notified us that the auditee refunded the entire questioned ineligible amount on February 18, 2024, and accordingly, no further action is needed from USAID/Jordan.

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.²

² 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.