



Office of Inspector General

MEMORANDUM

DATE: November 26, 2018

TO: USAID/West Bank and Gaza Mission Director, Monica Stein-Olson

FROM: Audit Director/Frankfurt, James C. Charlifue /s/

SUBJECT: Cost Representation Statement Audit of Local Costs Incurred by Development Alternatives, Inc., Development for Global Competitiveness Project in West Bank and Gaza, Contract AID-294-C-12-00001, October 1, 2014, to December 31, 2015 (8-294-19-005-R)

This memorandum transmits the final report of the cost representation statement audit of local costs incurred by Development Alternatives, Inc., Development for Global Competitiveness Project in West Bank and Gaza, contract AID-294-C-12-00001, from October 1, 2014, to December 31, 2015. The auditee contracted with the independent certified public accounting firm of PricewaterhouseCoopers to conduct the audit.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards, except for not participating in an external quality control review program. The audit firm explained that West bank and Gaza does not offer such a review program. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on the auditee's cost representation statement; the effectiveness of its internal controls; or its compliance with the award, laws, and regulations.¹

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 objectives were mainly to: (1) express an opinion on whether the cost representation statement for the period audited was presented fairly, in all material respects; (2) evaluate the auditee's internal controls; (3) determine whether the auditee complied with the award terms and applicable laws and regulations including testing compliance with Executive Order 13224 – Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$8,428,042, for the period from October 1, 2014, to December 31, 2015.

The auditors expressed an unmodified opinion on the cost representation statement and did not identify any questioned costs. The audit firm identified one material internal control weakness related to contracting consultants without following clear competition procedures, and one material instance of noncompliance related to excluding two required provisions in sub-awards. The auditors did not identify any noncompliance instances related to E.O. 13224. Further, 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: Require Development Alternatives, Inc. to establish and implement policies and procedures ensuring competitive contracting, as detailed on pages 19-21 of PricewaterhouseCoopers audit report.

Recommendation 2: Require Development Alternatives, Inc. to establish and implement policies and procedures ensuring proper incorporation of the required provisions in its sub-awards, as detailed on pages 22-24 of PricewaterhouseCoopers audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision. We appreciate the assistance extended to the audit staff during the engagement.

The 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").