



## MEMORANDUM

**DATE:** February 26, 2019

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

**FROM:** Middle East/Eastern Europe Regional Office (Frankfurt), Assistant Audit Director, Saiming T. Wan /s/

**SUBJECT:** Cost Representation Statement Audit of Tetra Tech ARD Inc., Communities Thrive Project in West Bank and Gaza, Task Order AID-294-TO-16-00010, September 29, 2016, to September 30, 2017 (8-294-19-004-N)

This memorandum transmits the final audit report on the cost representation statement of Tetra Tech ARD Inc., Communities Thrive Project in West Bank and Gaza, task order AID-294-TO-16-00010, from September 29, 2016, to September 30, 2017. USAID contracted with Ernst & Young - Middle East to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup>

The audit firm states that it performed its audit in accordance with GAGAS except that it did not participate in an external quality control review since no such program is offered by professional organizations in the West Bank and Gaza. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Tetra Tech ARD Inc. cost representation statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>2</sup>

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<sup>1</sup> On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function.

<sup>2</sup> 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 locally incurred costs for the period audited were allowable, reasonable, and allocable to the task order; (2) evaluate Tetra Tech ARD Inc. internal controls; (3) determine whether Tetra Tech ARD Inc. complied with the award terms and applicable laws and regulations, including 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 \$1,614,234 for the period from September 29, 2016, to September 30, 2017.

The audit firm expressed an unmodified opinion on the cost representation statement and did not identify any questioned costs. The auditors did not identify any material internal control weaknesses, but identified one instance of material noncompliance with Executive Order 13224 related to not properly cross referencing mandatory clauses to sub-contracts. The audit firm said that the auditee took corrective action to avoid similar noncompliance instances in the future. In addition, the audit firm issued a management letter.

The report does not include any recommendations for your action.

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”).