



MEMORANDUM

DATE: March 25, 2019

TO: USAID/Jordan Mission Director, Nancy Eslick

FROM: USAID OIG Middle East/Eastern Europe (ME/EE) Regional Office, USDH NFA Coordinator, Abdoulaye Gueye /s/

SUBJECT: Closeout and Financial Audit of Schedule of Costs Incurred by Engicon in Jordan, under Multiple Awards from January 1, 2016, to January 31, 2017 (8-278-19-009-N)

This memorandum transmits the final audit report on closeout and financial audit of Schedule of costs incurred by Engicon under the following awards:

Award Name (Type)	Award Number	Period	Subimplementer
Mafraq Wastewater Treatment Plant project	AID-278-C-12-00003	January 1, 2016 to January 31, 2017	N/A
Management Engineering Service Contract Project	AID-278-C-00-15-00005	January 1, 2016 to December 31, 2016	N/A

The agency contracted with the independent certified public accounting firm PricewaterhouseCoopers to conduct the audit. The contract required audit firm to perform the audit in accordance with generally accepted government auditing standards. The principal audit criterion was (set-by) the Office of Inspector General's (OIG) "Guidelines for Financial Audits Contracted by Foreign Recipient".¹

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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. "This contracted audit, however, was initiated before that date and follows the Guidelines".

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Engicon's Schedule of costs incurred; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The audit objectives were to: (1) express an opinion on whether the schedule of costs incurred for the period audited, was presented fairly, in all material respects; (2) evaluate the Engicon's internal controls; (3) determine whether Engicon complied with award terms and applicable laws and regulations; (4) verify that the correct indirect cost rate have been applied; (5) determine if Engicon has taken corrective action on prior external audit report recommendations; and (6) ensure that distribution or allocation base includes all costs that benefited from indirect activities and it is in compliance with the governing USAID negotiated indirect cost rate agreement, if applicable. To answer the audit objectives, the audit firm performed the subject audit that covered \$1,748,315 for the period Jan 1, 2016, to Jan 31, 2017.

The auditors expressed an unmodified opinion on schedule of costs incurred and identified \$2,484 in questioned costs (\$2,106 ineligible and \$378 unsupported). The audit firm did not identify any material weaknesses but identified two significant deficiencies in internal control related to: 1) not properly approving subcontractor timesheets, and 2) incorrectly using base of calculation of consultant working days. The audit firm also identified three instances of material noncompliance related to: 1) noncompliance with the executive order no. 13224, 2) incomplete employees' files, and 3) ineligible increments to consultants' daily rate.

To address the findings identified in the report, the auditors made recommendations to the auditee. We agree and recommend that USAID/Jordan do the following.

Recommendation 1. Determine the allowability of \$2,484 in questioned costs (\$2,106 ineligible and \$378 unsupported) as detailed on pages 20, 21 & 25 of PricewaterhouseCoopers audit report.

Recommendation 2. Verify that Engicon corrects the two significant deficiencies in internal control as detailed on pages 18 & 19 of PricewaterhouseCoopers audit report.

Recommendation 3. Verify that Engicon corrects the three instances of material noncompliance as detailed on pages 21 - 23 of PricewaterhouseCoopers audit report.

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

² 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.

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").