



Office of Inspector General

MEMORANDUM

DATE: March 14, 2019

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

FROM: USAID OIG Middle East and Eastern Europe (ME/EE) Regional Office, Audit Director, James C. Charlifue /s/

SUBJECT: Closeout Compliance Examination of Osaily Trading Contracting Co., Anabta, Beit Sahour – Ubeidiya, and Asira Al Shamaliya Roads, Task Order 294-TO-16-00003, Local Construction Program in West Bank and Gaza, Indefinite Quantity Contract AID-294-I-13-00006, November 17, 2016, to June 4, 2017 (8-294-19-006-O)

This memorandum transmits the final report of the closeout compliance examination of Osaily Trading Contracting Co., Anabta, Beit Sahour – Ubeidiya, and Asira Al Shamaliya Roads, task order 294-TO-16-00003, Local Construction Program in West Bank and Gaza, indefinite quantity contract AID-294-I-13-00006, from November 17, 2016, to June 4, 2017. USAID contracted with the independent certified public accounting firm Deloitte & Touche (M.E.) to conduct the engagement.

Deloitte & Touche (M.E.) states that it performed its engagement in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients¹, except for not participating in an external quality control review program. The audit firm explained that West Bank & Gaza does not offer such a review program.

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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.

Deloitte & Touche (M.E.) is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the contractor's internal controls effectiveness, or its compliance with the award, laws, and regulations.²

The examination objectives were mainly to: (1) express an opinion on the contractor's compliance with the contract's terms and conditions, including compliance with Executive Order 13224 – Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism; and (2) provide reasonable assurance of detecting fraud, illegal acts, or violations of provisions of the contract. To answer the examination objectives, Deloitte & Touche (M.E.) performed the subject examination engagement that covered the period from November 17, 2016, to June 4, 2017.

Deloitte & Touche (M.E.) identified one material instance of noncompliance with the task order related to Osaily Trading Contracting Co. selecting a major subcontractor that was rejected by USAID, resulting in ineligible questioned costs of \$1,371,807. The auditors did not identify any material instances of noncompliance with Executive Order 13224, or any material internal control weaknesses.

As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities, and as a result, Osaily Trading Contracting Co. had its activities terminated and currently has no open awards with USAID. USAID OIG ME/EE Regional Office is not including a procedural recommendation regarding the material noncompliance instance. However, if USAID/West Bank and Gaza considers future awards to Osaily Trading Contracting Co., it should ensure that adequate policies and procedures are implemented to address this finding, as detailed on pages 11 and 12 of Deloitte & Touche (M.E.) report.

To address the issue identified in the report, we recommend that USAID/West Bank and Gaza:

Recommendation 1: Determine the allowability, and collect as appropriate, \$1,371,807 in questioned ineligible cost, and any related costs, as detailed on pages 11-12 of Deloitte & Touche (M.E.) 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 Deloitte & Touche (M.E.) 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").

Enclosed: a/s

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 report itself and excludes review of the audit firm's supporting working papers; they are not designed to enable us to directly evaluate the quality of the engagement performed.