



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, USDH NFA Coordinator, Abdoulaye Gueye /s/

SUBJECT: Compliance Closeout Examination of Palestinian Federation of Industries, Subcontract 24043-16-GS-SA001, under Prime Global Communities, Local Government and Infrastructure Program in West Bank and Gaza, Cooperative Agreement 294-A-00-10-00211-00, March 1 to November 15, 2016 (8-294-19-007-O)

This memorandum transmits the final report of the compliance closeout examination of Palestinian Federation of Industries, subcontract 24043-16-GS-SA001, under Prime Global Communities, Local Government and Infrastructure Program in West Bank and Gaza, cooperative agreement 294-A-00-10-00211-00, March 1 to November 15, 2016. The auditee contracted with the independent certified public accounting firm Talal Abu-Ghazaleh & Co. to conduct the engagement.

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 & 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 compliance examination report; 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 examination objectives were mainly to: (1) express an opinion on the subcontractor's compliance with the subcontract's terms and conditions; (2) provide reasonable assurance of detecting fraud, illegal acts, or violations of provisions of the subcontract, and (3) evaluate the subcontractor's internal controls over compliance. The examination objectives also included testing the subcontractor's compliance with Executive Order 13224 – Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism. To answer the examination objectives, the auditors performed the subject examination engagement that covered the period from March 1 to November 15, 2016.

The auditors did not identify any material internal control weaknesses, or any material instances of noncompliance with the subcontract's terms and conditions. The auditors did not identify any material instances of noncompliance with Executive Order 13224. The auditors identified cost sharing contribution shortfall of \$1,901.

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

Recommendation I: Determines the allowability, and collect as appropriate, \$1,901 in questioned cost share contribution shortfall, as detailed on page 16 of Talal Abu-Ghazaleh & Co. 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").

Enclosed: a/s