



Office of Inspector General

MEMORANDUM

DATE: April 9, 2019

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

FROM: USAID OIG Middle East and Eastern Europe (ME/EE) Regional Office, Assistant Audit Director, Saiming T. Wan /s/

SUBJECT: Closeout Compliance Examination of Saqqa & Khoudary Company Ltd for Subcontract Agreement Under Prime, The Morganti Group Inc., Task Order AID-294-TO-15-00008, Al Atatrah and Nuseirat Reservoirs and Pumping Facilities Project in West Bank and Gaza, November 19, 2015 to November 11, 2017 (8-294-19-014-O)

This memorandum transmits the final report on the closeout compliance examination of Saqqa & Khoudary for subcontract agreement under prime, The Morganti Group Inc., Task Order AID-294-TO-15-00008, Al Atatrah and Nuseirat Reservoirs and Pumping Facilities project in West Bank and Gaza, from November 19, 2015 to November 11, 2017. USAID/West Bank and Gaza Contracted with the independent certified public accounting firm of Ernst & Young, Ramallah, Palestine, to conduct the examination. The contract required the audit firm to perform the examination in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards except that it did not participate in an external quality control review program that fully satisfies the standards' requirements and did not have a continuing education program that fully satisfies the requirements of the auditing standards. The audit firm explained that professional organizations in West Bank and Gaza do not offer the 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¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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".

The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Saqqa & Khoudary Company Ltd.'s compliance report; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

The examination objectives were to: (1) express an opinion on Saqqa & Khoudary Company Ltd.'s compliance with the subcontract terms and conditions; (2) provide reasonable assurance of detecting fraud, illegal acts, or violations of provisions of the subcontract; and (3) evaluate Saqqa & Khoudary Company Ltd internal controls; and (4) determine whether Saqqa & Khoudary Company Ltd, complied with the award terms and applicable laws and regulations. The examination objectives also included testing Saqqa & Khoudary Company Ltd,'s 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 reported that they performed the closeout compliance examination engagement that covered \$5,556,091, November 19, 2015 to November 11, 2017.

The audit firm concluded the compliance examination complied with the terms and conditions of its subcontract agreement, in all material respects, program revenues and costs incurred under the award for the period audited. The auditors did not identify any material internal control weaknesses, or any material instances of noncompliance with the subcontract terms, conditions, and applicable laws and regulations. The auditors also did not identify any material instances of noncompliance with Executive Order 13224.

The report does not contain any recommendations.

We appreciate the assistance extended during the engagement.

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").

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.