



MEMORANDUM

DATE: July 30, 2019

TO: USAID/West Bank and Gaza, Acting Mission Director, Dana Rose

FROM: USAID OIG Middle East and Eastern Europe (ME/EE) Regional Office, Audit Director, David Thomanek /s/

SUBJECT: Audit of Costs Incurred by Sustainable Engineering Solutions Under Subcontract Task Orders 7 and 12 to USAID Prime Contractor AECOM Technical Services, Inc. for the period November 1, 2016 to December 31, 2017 (8-294-19-047-N)

This memorandum transmits the final audit report on Sustainable Engineering Solutions' (SES) incurred costs under the following sub-awards to AECOM Technical Services, Inc.:

Award Name (Type)	Award Number	Period	Task No.
USAID West Bank and Gaza Architecture and Engineering Services (cost plus fixed fee)	AID-294-TO-16-00007	Nov 1, 2016-Sep 29, 2019	MSA No. 17S18077AU20 Task No. 7
USAID West Bank and Gaza Architecture and Engineering Services (cost plus fixed fee)	AID-294-TO-16-00012	Nov 1, 2016-Sep 29, 2019	MSA No. 17S18077AU20 Task No. 12

USAID/West Bank and Gaza contracted with the independent certified public accounting firm Ernst Young, Ramallah to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.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¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards except that the audit firm did not have an external peer review because peer review programs are not available in 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 Sustainable Engineering Solution's (SES) fund accountability statement; 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 SES incurred costs for the period audited were allowable, reasonable, and allocable; (2) evaluate the SES's internal controls; and (3) determine whether SES complied with award terms and applicable laws and regulations. To answer the audit objectives, the audit firm reviewed \$1,570, 957 in incurred costs billed for the period November 1, 2016 to December 31, 2017.

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$171,922 in total ineligible questioned costs; one significant deficiency in internal control for misallocating expenses between task orders; and five instances of material noncompliance.”

As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities, and as a result, SES had its activities terminated and currently has no open awards with USAID/West Bank and Gaz. OIG Middle East and Eastern Europe Regional Office is not including procedural recommendations regarding the one significant deficiency in internal control and the five material noncompliance instances. However, if USAID/West Bank and Gaza considers future awards to SES, it should ensure that adequate policies and procedures are implemented to address these findings, as detailed on pages 17 to 26 of Ernst Young's report.

To address the questioned costs identified in the report, we recommend that USAID/West Bank and Gaza's agreement officer do the following:

Recommendation 1. Determine the allowability of \$171,922 in questioned ineligible costs detailed on page 26 of the audit report and recover any amount that is unallowable.

We ask that you provide your written notification of actions planned or taken to reach management decision. 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.