



MEMORANDUM

DATE: December 19, 2019

TO: USAID/West Bank and Gaza, Acting Mission Director, Courtney Chubb

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

SUBJECT: Closeout Examination of APCO/ArCon Construction and Services LLC Compliance With Terms and Conditions of Task Order 294-TO-16-00001, Hebron Northern and Southern Entrance Roads in West Bank and Gaza, June 10, 2016 to July 13, 2017 (8-294-20-010-O)

This memorandum transmits the final report on the closeout examination of APCO/ArCon Construction and Services LLC compliance with terms and conditions of Indefinite Quantity Contract AID-294-I-00-12-00005, Infrastructure Needs Program II, Hebron Northern and Southern Entrance Roads in West Bank and Gaza, Task Order No 294-TO-16-00001, from June 10, 2016 to July 13, 2017. APCO/ArCon, contracted with the independent certified public accounting firm of Deloitte & Touche (M.E.) to conduct the examination. The audit firm stated that it performed the examination in accordance with attestation standards established by the American Institute of Certified Public Accountants, U.S. Government Auditing Standards for attestation engagements and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹ However, it did not participate in an external quality control review program and did not have a continuing education program that fully satisfies the requirement set forth in Government Auditing Standards. The audit firm explained that professional organizations in West Bank and Gaza do not offer such a review program. With respect to the continuing education program, the audit firm stated that they could not satisfy the standards' requirements because they could not fully obtain the U.S. Government auditing related hours. The audit firm

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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

is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on APCO/ArCon's compliance or the effectiveness of its internal controls.²

The examination objectives were mainly to: (1) express an opinion on APCO/ArCon's compliance with the award terms and conditions; (2) provide reasonable assurance of detecting fraud, illegal acts, or violations of provisions of the award; and (3) evaluate APCO/ArCon's internal controls. The examination objectives also included testing APCO/ArCon's compliance with Executive Order 13224 – Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism. To answer the engagement objectives, the audit firm tested relevant balances, tested internal controls related to the project activities, and performed tests for compliance. The engagement covered the period from June 10, 2016 to July 13, 2017.

The audit firm concluded that the APCO/ArCon complied in all material respects with the terms and conditions of the award and applicable laws and regulations for the period covered by the engagement. The auditors did not identify any material internal control weaknesses or any material instances of noncompliance with the award 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 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 engagement performed.