



MEMORANDUM

DATE: December 16, 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: Audit of the Cost Representation Statement of House of Water and Environment, Infrastructure Needs Program II in West Bank and Gaza, Sub Delivery Order 14, June 29, 2015 to December 31, 2016 (8-294-20-022-R)

This memorandum transmits the final report on the audit of the cost representation statement of House of Water and Environment, Infrastructure Needs Program II in West Bank and Gaza, Delivery Order 14, Under prime, Black and Veatch Special Projects Corporation, Indefinite Quantity Contract 294-I-00-10-00205-00, from June 29, 2015 to December 31, 2016. The House of Water and Environment contracted with El Wafa Company to conduct the audit. The audit firm stated that it performed the audit in accordance with Generally Accepted Auditing Standards and Government Auditing Standards issued by the Comptroller General of the United States. However, it did not participate in an external quality control review program because West Bank and Gaza does not offer such a review program. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on House of Water and Environment's cost representation statement; the effectiveness of its internal control; or its compliance with the contract, laws, and regulations.¹

The audit objectives were mainly to: (1) express an opinion on whether House of Water and Environment's incurred costs for the period audited were allowable, reasonable and allocable; (2) evaluate House of Water and Environment's internal controls; and (3) determine if House of Water and Environment complied with the delivery order terms and applicable laws and regulations, including compliance with Executive Order 13224 – Blocking Property and

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.

Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism. To answer the audit objectives, the audit firm examined the cost representation statement and tested relevant balances, tested internal controls related to project activities, and performed tests for compliance. The audit covered \$659,434 for the period from June 29, 2015 to December 31, 2016.

The audit firm concluded that the cost representation statement presented fairly, in all material respects, program revenues and costs incurred under the delivery order for the period audited, except for \$31,904 in ineligible questioned costs. The auditors did not identify any material internal control weaknesses; however, the auditors identified one material instance of non-compliance with the award terms and applicable laws and regulations. The auditors also did not identify any material instances of noncompliance with Executive Order 13224. The audit firm issued a management letter.

As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities, and as a result House of Water and Environment had its activities terminated and currently has no open awards with USAID. USAID OIG ME/EE Regional Office is not including procedural recommendations regarding the material noncompliance instance. However, if USAID/West Bank and Gaza considers future awards to House of Water and Environment, it should ensure that adequate policies and procedures are implemented to address this finding, as detailed on pages 11 to 12 and 17 to 23 of El Wafa Company's report.

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

Recommendation 1. Determine the allowability and collect as appropriate, \$31,904 in ineligible questioned costs, as detailed on pages 11 to 12 and 17 to 23 of El Wafa Company audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended to audit staff 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").