



MEMORANDUM

DATE: February 25, 2020

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 Fund Accountability Statement of First Option Project Construction Management Company, The Roads Project in West Bank and Gaza, Sub Task Orders 7 and 12, November 1, 2016, to December 31, 2017 (8-294-20-017-N)

This memorandum transmits the final audit report of the fund accountability statement of First Option Project Construction Management Company, sub Task Orders 7, and 12 under sub-consultancy agreement number 17SI8076AU20 with AECOM Technical Services Inc., task orders AID-294-TO-16-00007, and AID-294-TO-16-00012 Under indefinite delivery indefinite quantity contract number AID-294-I-16-00001, The Roads Project in West Bank and Gaza, from November 1, 2016, to December 31, 2017. USAID/West Bank and Gaza contracted with the independent certified public accounting firm Ernst and Young to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. 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 the auditee's fund accountability statement; the effectiveness of its internal control; or its compliance with the awards, 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 audit objectives were mainly to: (1) express an opinion on whether the auditee's incurred costs were allowable, reasonable, and allocable; (2) evaluate the auditee's internal controls; (3) determine whether the auditee complied in all material respects with the subcontracts terms and applicable laws and regulations; including 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 performed the subject financial audit that covered \$1,557,419, for the period from November 1, 2016, to December 31, 2017.

The audit firm expressed a qualified opinion on the fund accountability statement and questioned ineligible costs of \$222,053. The audit firm did not identify any material internal control weaknesses or any material instances of noncompliance with E.O. 13224. The audit firm identified five material instances of noncompliance with laws, regulations and the subcontracts terms. As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities. First Option Project Construction Management Company currently has no open awards with USAID. Accordingly, USAID OIG ME/EE regional office is not including procedural recommendations for the five material instances of noncompliance. However, if USAID/West Bank and Gaza considers future awards to First Option Project Construction Management Company, it should ensure that the auditee has adequate policies and procedures in place to address these findings, as appropriate, and as detailed on pages 20 to 29 of Ernst & Young audit report. In addition, the audit firm identified one internal control significant deficiency and said that the auditee took subsequent corrective action to address this deficiency. Further, the audit firm issued a management letter.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller dated February 25, 2020.

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

Recommendation 1: Determine the allowability, and collect as appropriate, \$222,053 in questioned ineligible costs, as detailed on pages 30 of Ernst and Young's report.

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.

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").