



MEMORANDUM

DATE: February 26, 2020

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

FROM: USAID OIG Middle East and Eastern Europe (ME/EE) Regional Office, USDH NFA Coordinator, John Vernon /s/

SUBJECT: Audit of the Fund Accountability Statement of Mazaya Business Services Company, USAID West Bank and Gaza Architecture and Engineering Services, Sub Task Order 12, October 31, 2016 to December 31, 2017 (8-294-20-018-N)

This memorandum transmits the final audit report of the fund accountability statement of Mazaya Business Services Company, sub Task Order 12 under sub-consultancy agreement number 17SI8107AU20 with AECOM Technical Services Inc., task order AID-294-TO-16-00012 under indefinite delivery indefinite quantity contract number AID-294-I-16-00001, USAID West Bank and Gaza Architecture and Engineering Services, from October 31, 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 award, 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; and (3) determine whether the auditee complied in all material respects with the subcontract's 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 \$776,723, for the period from October 31, 2016, to December 31, 2017.

The audit firm expressed a qualified opinion on the fund accountability statement and questioned ineligible costs of \$213. 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 four material instances of noncompliance with laws, regulations and the subcontract's terms. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/West Bank and Gaza determine the allowability of the \$213 in questioned costs and recover any amount determined to be unallowable.

As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities. Mazaya Business Services Company currently has no open awards with USAID. Accordingly, USAID OIG ME/EE regional office is not including a procedural recommendation for the four material instances of noncompliance. However, if USAID/West Bank and Gaza considers future awards to Mazaya Business Services Company, it should ensure that the auditee has adequate policies and procedures in place to address these findings, as appropriate, as detailed on pages 20 to 27 of Ernst & Young audit report. In addition, the audit firm identified one significant internal control deficiency and said that the auditee took subsequent corrective actions addressing this deficiency.

During our desk review, we noted one minor issue which the audit firm will need to address in future audit reports. We presented this issue in a memo to the controller dated February 26, 2020.

The report does not contain any recommendations for your action.

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").