



MEMORANDUM

DATE: February 17, 2020

TO: USAID/Jordan Mission Director, Jim Barnhart

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 Arabtech Jardaneh Engineers & Architects Ltd., Water Sector Infrastructure Project in Jordan, Contract AID-278-C-15-00011, June 29, 2015 to December 31, 2016 (8-278-20-013-N)

This memorandum transmits the final report on the audit of the fund accountability statement of Arabtech Jardaneh Engineers & Architects Ltd., Water Sector Infrastructure project in Jordan, contract AID-278-C-15-00011, from June 29, 2015 to December 31, 2016.

USAID/Jordan contracted with the independent certified public accounting firm Ernst & Young to conduct the audit. The audit firm stated that it performed its audit in accordance with 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 Jordan 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 controls; or its compliance with the award, laws, and regulations¹.

The audit objectives were mainly to: (1) express an opinion on whether the fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate the auditee's internal controls; and (3) determine whether the auditee complied with the contract terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$1,170,309 for the period June 29, 2015, to December 31, 2016.

The auditors expressed a qualified opinion on the fund accountability statement and questioned \$56,550 of ineligible costs. The auditors did not identify any material internal control weaknesses but identified one significant internal control deficiency and two material instances

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.

of noncompliance with requirements related to terrorist financing provisions and indirect cost rates computation. The auditors said that Arabtech Jardaneh Engineers & Architects Ltd. subsequently closed the significant internal control deficiency and the first material instance of noncompliance. Further, the audit firm issued a management letter.

During our desk review, we noted minor issues which the audit firm will need to address in future audit reports. We presented these issues in a letter to the controller dated February 17, 2020.

To address the issues identified in the report, we recommend that USAID/Jordan:

Recommendation 1: Determine the allowability and collect as appropriate, \$56,550 in questioned ineligible costs, as detailed on pages 20 to 24 of Ernst & Young's audit report.

Recommendation 2: Require Arabtech Jardaneh Engineers & Architects Ltd. to establish policies and procedures ensuring accurate indirect cost rates computation as detailed on pages 20 to 22 of the Ernst & Young's 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 the audit staff 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").