



## MEMORANDUM

**DATE:** June 19, 2019

**TO:** USAID/West Bank and Gaza Mission Director, Monica Stien-Olson

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

**SUBJECT:** Costs Incurred Audit of Palestinian Wastewater Engineers Group, Under the Green Technologies in Cooperative Date Farming in West Bank and Gaza, Cooperative Agreement AID-294-A-16-00006, September 23, 2016, to December 31, 2017 (8-294-19-029-N)

This memorandum transmits the final report on costs incurred audit by Palestinian Wastewater Engineers Group (PWEG), under the Green Technologies in Cooperative Date Farming in West Bank and Gaza, cooperative agreement AID-294-A-16-00006, September 23, 2016, to December 31, 2017. The agency contracted with the independent certified public accounting firm Ernst & Young (EY) to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards, except for not participating in an external quality control review program. The audit firm explained that West bank and Gaza does not offer such a review program, however they participate in the EY worldwide Internal quality control program which requires their offices to be subjected, every three year to an extensive quality control review by partners and managers from other EY offices. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the PWEG fund accountability statement; the effectiveness of its internal control; or its compliance

with the award, laws, and regulations.<sup>1</sup>

The audit objectives were 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 PWEG internal controls; (3) determine whether PWEG complied with award 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; and (4) determine whether the auditee has taken corrective action on prior audit recommendations. To answer the audit objectives, the audit firm performed the subject audit that covered \$291,780, September 23, 2016, to December 31, 2017.

The auditors expressed an unmodified opinion on the fund accountability statement and did not identify any questioned costs. The auditors did not identify any material internal control weakness but identified one significant deficiency in internal control related to, lack of adequate internal policies and procedures to manage cooperative agreement. The auditors identified three instances of material noncompliance with the cooperative agreement terms and regulation and EO 13224, related to; 1) lack of required provisions in sub-contracts; 2) improper referencing of mandatory provisions in sub-contracts; and 3) failing to obtain a timely vetting approval for contract. The audit firm issued a management letter to the auditee.

As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities, and as a result, “auditee” had its activities terminated and currently has no open awards with USAID. RIG/Frankfurt is not including procedural recommendations regarding the significant deficiency in internal control and the material noncompliance instances. However, if USAID/West Bank and Gaza considers future awards to Palestinian Wastewater Engineers Group, it should ensure that adequate policies and procedures are implemented to address these findings, as detailed on pages 17 to 21 of Ernst & Young audit report.

The report does not contain any recommendation for your action.

We appreciate the assistance extended to the audit staff during 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”).

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<sup>1</sup> 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.