



USAID
FROM THE AMERICAN PEOPLE

OFFICE OF INSPECTOR GENERAL

EXAMINATION OF THE PALESTINIAN TRACTOR AND EQUIPMENT COMPANY'S COMPLIANCE WITH THE TERMS AND CONDITIONS UNDER SUB-CONTRACT NUMBER EOC-803-022 WITH CAMP DRESSER AND MCKEE INTERNATIONAL, INC., FUNDED BY U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, INSTALLATION OF THIRTEEN GENERATORS AT DIFFERENT MUNICIPALITIES, FOR THE PERIOD FROM MARCH 18, 2003, TO NOVEMBER 11, 2003

**AUDIT REPORT NO. 6-294-07-024-N
MARCH 11, 2007**

CAIRO, EGYPT

Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public.



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Office of Inspector General

Report No. 6-294-07-024-N
March 11, 2007

MEMORANDUM

TO: USAID/West Bank and Gaza Director, Howard Sumka

FROM: Regional Inspector General/Cairo, David H. Pritchard /s/

SUBJECT: Examination of the Palestinian Tractor and Equipment Company's Compliance With the Terms and Conditions Under Sub-Contract Number EOC-803-022 with Camp Dresser and McKee International, Inc., Funded by U.S. Agency for International Development, Installation of Thirteen Generators at Different Municipalities, for the Period From March 18, 2003, to November 11, 2003

Enclosed, please find one copy of the report that the independent audit firm of PricewaterhouseCoopers prepared on the subject engagement.

PricewaterhouseCoopers conducted the engagement in accordance with U.S. Government Auditing Standards except that the firm did not have an external quality control review by an unaffiliated organization because professional organizations in the West Bank and Gaza do not offer such a review program.

USAID awarded \$10,403,455 to Camp Dresser and McKee International, Inc., under Contract Number HRN-I-803-99-00011-00 to create or develop programs and institutions to assure safe and sustainable management of water, sewer, and associated infrastructure. Camp Dresser and McKee International, Inc., sub-awarded a \$475,181 contract to Palestinian Tractor and Equipment Company for the purpose of procurement, installation, and commissioning of 13 generators at different municipalities in the West Bank.

The examination covered the total budgeted amount of \$475,181 for the period from March 18, 2003, to November 11, 2003.

The examination included examining, on a test basis, evidence supporting compliance with the sub-contract terms and conditions and performing such other procedures as were considered necessary in the circumstances.

The auditors expressed a qualified opinion on the examination report. The auditors identified eight material instances of non-compliance with the sub-contracts terms, laws and regulations. The auditors reported that Palestinian Tractor and Equipment Company was non-compliant with the following provisions of the sub-contract:

- maintaining documents of the description of work and the technical specifications of the generators;
- obtaining approval to extend the period of contract;
- providing the required insurance policies;
- putting in writing any modification, alteration, or waiver of sub-contract provisions
- including the final statement of performance in the final invoice;

- issuing certificates of warranties in the name of the municipalities;
- obtaining a certificate of work completion; and
- submitting performance and completion reports.

In addition, the auditors noted that the provision pertaining to the prohibition of terrorist financing required by *Acquisition and Assistance Policy Directive (AAPD) 02-04, Implementation of Executive Order 13224 – Executive Order on Terrorist Financing*, was not included in the sub-contract by the prime contractor, Camp Dresser and McKee International, Inc.

The management of Palestinian Tractor and Equipment Company disagreed with the findings and cited security conditions in the West Bank and difficulties of maintaining copies and files in conjunction with Camp Dresser and McKee International, Inc., as part of the main reasons for disagreement. The sub-contract ended on November 11, 2003, and the Contracting Officer, West Bank and Gaza, will make determinations regarding any future contracts.

Based on our review of the report, we are including the following recommendations in USAID's Consolidated Audit Tracking System to address the eight issues listed above and the contractors' non-compliance with Executive Order 13224:

Recommendation No. 1: We recommend that the Contracting Officer, USAID/West Bank and Gaza, ensure the contractor, Camp Dresser and McKee, Inc., implements oversight measures of sub-contracts to ensure compliance with agreement terms, laws, and regulations prior to completion.

Recommendation No. 2: We recommend that the Contracting Officer, USAID/West Bank and Gaza, inform the contractor, Camp Dresser and McKee, Inc., of its legal responsibility to ensure that its sub-recipients comply with the provision of Prohibiting Terrorist Financing required by *Acquisition & Assistance Policy Directive (AAPD) 02-04*, and to include this provision in all sub-awards.

Please advise the Office of Inspector General within 30 days of this memorandum of the action planned or taken to implement the recommendation. The Audit, Performance and Compliance Division (M/CFO/APC) will make the determination of final action.

Enclosures: a/s

INDEPENDENT ACCOUNTANT'S REPORT

Examination of the Palestinian Tractor and Equipment Company Compliance with the Terms and Conditions under sub contract number EOC-803-022 with Camp Dresser & McKee International, Inc. (CDM) Funded by U.S. Agency for International Development (USAID), "Installation of Thirteen Generators at Different Municipalities" for the period from March 18, 2003 to November 11, 2003

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April 30, 2006

**Regional Inspector General
United States Agency for International Development (USAID)
Cairo, Egypt**

Dear Sir / Madam,

This report represents the results of the compliance examination of USAID resources managed by CDM, Inc (hereinafter "CDM") and implemented by Palestinian Tractor and Equipment Company (hereinafter "CAT") under sub contract number EOC-803-022, "Installation of Thirteen Generators at Different Municipalities" for the period from March 18, 2003 to November 11, 2003.

This examination was mandated by Section 568(c) of the Consolidated Appropriations Resolution, 2003, and Section 566(c) of the Consolidated Appropriations Act, 2004, both of which require annual audits of all contractors and grantees, and significant subcontractors and subgrantees, funded under the Economic Support Fund for the West Bank and Gaza.

Our report disclosed ten findings related to compliance with the contract terms and conditions. CDM's management needs to follow up with CAT on these findings. CAT's management response to these findings is attached in full in appendix A to this report.

Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public.

We appreciate the cooperation and courtesies provided by CAT's management and RIG Cairo staff. If you have any questions or need additional information, please contact Mr. Michael F. Orfaly, Partner, at +970 2 2400 230.

Sincerely yours

**Michael F. Orfaly
Partner**



BACKGROUND

Camp Dresser and McKee, Inc. (hereinafter "CDM") provided funding to Palestinian Tractor and Equipment Company (hereinafter "CAT") as a sub-contract under its prime contract with the U.S. Agency for International Development (hereinafter "USAID") number HRN-I-803-99-00011-00, for the purpose of procurement, installation and commissioning of thirteen (13) generators at different municipalities in the West Bank and to provide training services to the municipalities representatives. The total budgeted amount for this contract as stated in the contract dated March 18, 2003 is USD 475,181 (excluding Value Added Taxes).

This report does not include any prior period examination recommendations, because such examination was not previously performed on this contract.

EXAMINATION OBJECTIVE

The objective of this examination is to examine whether CAT's management complied, in all material respects, with the terms and conditions of its subcontract with CDM, and with the applicable laws and regulations.

EXAMINATION SCOPE

The principal criterion for this compliance examination was "US Government Auditing Standards, Chapter 6, for General, Field Work, and Reporting Standards for Attestation Engagements. The examination scope includes various steps that have been performed on sample basis, obtaining adequate coverage based on the examination objectives and comfort required.

SUMMARY OF EXAMINATION RESULTS

This summary represents the results of our examination of CAT in respect to the sub-contract, and includes the nature of report issued, and a summary of the key findings arising from the examination.

This report includes ten reportable material weaknesses one of which is noncompliance with USAID Assistance and Acquisition Procurement Directives AAPD 02-04 (Implementation of E.O. 13224 Executive Order on Terrorist Financing), as further explained in the findings section of this report.

The results of our audit revealed no material instances of non-compliance with Restriction on Taxing Foreign Assistance (Section 579 as Amended by Section 506 of the FY 2004 Foreign Operation Act) which maintains that U.S. Foreign Assistance shall not be subject by a foreign country to Value Added Taxes (VAT) or customs duties.

SUMMARY OF THE RECIPIENT'S MANAGEMENT COMMENTS

The following schedule is a summary of CAT's management comments with respect to examination findings, (for more details refer to the findings and recommendations section):

<u>Findings</u>	<u>Summary of CAT Management's Comments</u>
1) Missing Exhibits in the Contract: (Refer to the findings and recommendations section for more details).	Management argues this finding, for more details refer to Appendix A.
2) Project's Period: (Refer to the findings and recommendations section for more details).	Management argues this finding, for more details refer to Appendix A.
3) Insurance Requirements: (Refer to the findings and recommendations section for more details).	Management argues this finding, for more details refer to Appendix A.
4) AAPD 02-04, Implementation of E.O. 13224 – Executive Order on Terrorist Financing: (Refer to the findings and recommendations section for more details).	Management argues this finding, for more details refer to Appendix A.
5) No Signed Amendment: (Refer to the findings and recommendations section for more details).	Management argues this finding, for more details refer to Appendix A.
6) Final Statement: (Refer to the findings recommendations section for more details).	Management argues this finding, for more details refer to Appendix A.
7) Certificates of Guaranties: (Refer to the findings and recommendations section for more details).	Management argues this finding, for more details refer to Appendix A.
8) CDM Final Completion Statement: (Refer to the findings and recommendations section for more details).	Management argues this finding, for more details refer to Appendix A.
9) Performance and Completion Reports: (Refer to the findings and recommendations section for more details).	Management argues this finding, for more details refer to Appendix A.

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Independent Accountant's Report on Compliance

**Regional Inspector General
United States Agency for International Development (USAID)
Cairo, Egypt**

We have examined the Palestinian Tractor and Equipment Company (hereinafter "CAT") compliance with the terms and conditions of its subcontract named "Installation of Thirteen Generators at Different Municipalities" (hereinafter "Project") with Camp Dresser and McKee Inc. (hereinafter "CDM") for the period from March 18, 2003 to November 11, 2003. CAT's management is responsible for the compliance with the subcontract terms and conditions. Our responsibility is to express an opinion based on our examination.

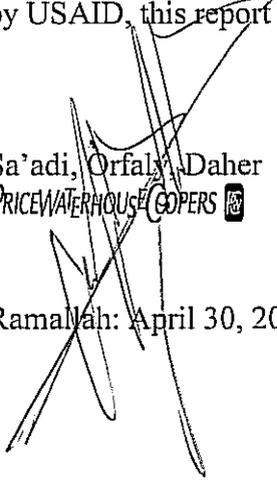
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and with U.S. Government Auditing Standards, and accordingly, included examining, on a test basis, evidence supporting compliance with the subcontract terms and conditions and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Our examination disclosed the following material instances of noncompliance:

1. Two exhibits in the sub-contract between CAT and CDM are missed,
2. The work shall be completed within 60 calendar days after issuance of a written Notice to Proceed by CDM. However, the work has been completed after 8 months from the date of the notice to proceed.
3. The required insurance types in the contract were not provided in full, because they were not available in the West Bank and Gaza,
4. CAT did not comply with AAPD 02-04, Implementation of Executive Order 13224, which requires that a mandatory clause to be included in all contracts, subcontracts, grants and sub grants to ensure that USAID funds are not used to support entities or individuals who are involved in terrorism.
5. The contract requires that all changes to be in writing. However, the contract was modified but no written amendments were signed and approved,
6. CAT is not in compliance with point 16.2-d of the contract which requires that a certain statement to be included with the final payment that was not included,
7. Certificates of Guaranties should be issued in the name of each municipality. However, the certificates were issued only in the name of CDM, USAID and PWA.
8. CAT did not issue a Final Completion Statement to inform the CDM that the work has completed, and the CDM did not issue a letter that confirm the completion of the work as required by the contract,
9. CAT did not issue Performance and Completion Reports as required by the contract, and

In our opinion, except for the material instances of noncompliance described in the preceding paragraph, CAT complied in all material respects with the aforementioned subcontract terms and conditions during the period from March 18, 2003 to November 11, 2003.

This report is intended solely for the information and use of CAT and USAID. However, upon release by USAID, this report is a matter of public record and its distribution is not limited.


Sa'adi, Orfal A. Daher
PRICEWATERHOUSECOOPERS 

Ramallah: April 30, 2006

FINDINGS AND RECOMMENDATIONS

1- Missing Exhibits in the Contract

Background:

During our review of the signed contract between the Palestinian Tractor and Equipment Company (CAT) and the CDM, we did not find the following Exhibits:

- A) Exhibit J, which includes the description of the work that will be performed.
- B) Exhibit I, which includes the technical specifications of the generators.

Cause:

The company did not keep and maintain important documents like the exhibits mentioned above.

Recommendation:

We recommend CAT Company to keep and maintain the documents related to the projects like the contract and its related exhibits.

Management's Response:

Exhibit J, description of the work

Exhibit I, tech specs of the gen sets

(Above are attached as per our own wordings and may not necessarily match the missing ones in the project agreement)

Auditor's Response

The provided documents represent technical offers which relate to Exhibit I "Technical Specifications", and no supporting documents were provided to us regarding Exhibit J "the description of the work". Its worth noting that none of the Exhibits provided are the original ones.

2- Project's Period

Background:

In accordance with Part II - Exhibit A in the contract: "all work shall be completed within 60 calendar days after the CDM issues a written Notice to Proceed to the company to start the work". We noticed after our review that the date of the notice to proceed was March 18, 2003 and the work had been completed on November 11, 2003 (approximately 8 months after the notice to proceed and not 60 days).

Cause:

The work has been performed in a period more than 60 days after the date of the notice to proceed, and the company did not obtain CDM approval to extend the period.

Recommendation:

We recommend the company to be in accordance with the contract terms and conditions.

Management's Response:

Project was delayed for many justified reasons few of which we list out of memory as:

a) One site, gen set was stoned by settlers and CDM were provided with photos and accepted the fact that damages get fixed before re delivering to site.

b) Several sites were left with work done as installation and laying out cables and preparing trenches but gen sets at our yard waiting for IDF to approve routs to get these transported. CDM as a USAID NGO failed to provide coordination and we left to manage ourselves using uneven routes outside the IDF reach.

c) One site was delayed as all Municipality persons did not attend to work due to the Martyrs of many Aqsa Brigades killed near Nablus. All were busy with funerals and similar occasions.

d) Several sites came on hold as the CDM engineer did not meet the schedule based on the fact that he was waiting for his end of service letter, further delays when the new engineer was hired.

We assume that many reasons were due to political unrest and the CDM project engineer situation, PTEC general interest to work profitably, is not buy gen sets and keep in yard and not pushing for getting it installed .

Auditor's Response:

CAT should have obtained CDM approval in writing to extend the period of the subcontract.

3- Insurance Requirements

Background:

According to point 12 in the terms and conditions, CAT shall maintain the following insurance types:

<u>Type</u>	<u>LIMITS</u>
1) Worker's compensation	Statutory, each accident \$50,000. Each policy limit open Each disease employee \$50,000
2) Automobile Liability Insurance	Statutory.
3) Commercial general liability	\$50,000 per open-Aggregate Property damage: replacement Replacement cost/occurrence personal cost-aggregate open-aggregate injury:

In addition to that all insurance policies shall be endorsed to CDM and the USAID as additional insured.

During our examination of the insurance policies provided by CAT, we noticed that only worker's compensation and contractor's all risk types were provided in addition to the normal company's cars insurance, but not the other required types.

Cause:

The required insurance types in the contract were not provided in full, because they are not normally issued to our country.

Recommendation:

We recommend the CDM and CAT to obtain insurance policies. In case the required insurance types are not normally issued or not available in our country, CAT and CDM should modify sub-contract terms to include only those applicable.

Management's Response:

PTEC did provide the required insurance policies, but endorsements were noted as CDM to carry on since PTEC W.Bank could not reach USAID offices in Tel Aviv for not getting a permit by the IDF. Insurance liabilities in W Bank were limited based on the fact that insurance companies have no policies as what the project call for; CDM did at that time double check and realized the fact we've mentioned.

Auditor's Response

Once the company signs a contract, it is then implicitly accepting all the terms and conditions in it, and thus it will be held responsible to for any noncompliance with this contract. Accordingly, CAT should have complied with all sub-contract terms and regulations, and where a condition of the sub-contract is considered not applicable they should have discussed this with the prime contractor in order to modify the contract or to obtain a waiver as deemed necessary.

4- AAPD 02-04, Implementation of E.O. 13224 – Executive Order on Terrorist Financing

Background:

In accordance with the "AAPD 02-04, Implementation of E.O. 13224 – Executive Order on Terrorist Financing" requires that a mandatory clause be included in all contracts, subcontracts, grants and sub grants to ensure that USAID funds are not used to support entities or individuals who are involved in terrorism. After our review of the contract terms and conditions we did not find this clause.

Criteria:

The contract terms and conditions should include a mandatory clause which ensures that the USAID funds are not used to support entities or individuals who are involved in terrorism.

Cause:

The contract between CDM and CAT did not include this clause.

Recommendation:

All contracts, subcontracts, grants and sub grants contracts should include a mandatory clause to ensure that the USAID funds are not used to support entities or individuals who are involved in terrorism.

Management's Response:

We PTEC as a company or team key persons did provide our CV's and IDs for checking, we are not terrorist. In fact we protect American interests in the area by marketing only American products.

Auditor's Response:

We agree that CDM should have included this clause, and that this is CDM responsibility and not the subcontractor. However, we selected to include this finding in order for the USAID to take action.

5- No Signed Amendment

Background:

In accordance with Part III-Exhibit A in the contract "CAT shall perform the work pursuant to this contract on a unit price basis in accordance with the unit rate schedule. The unit rate schedule shall be subject to the review and approval of CDM and CAT shall not exceed a total cost of \$475,181 (excluding VAT and including all other costs)".

After our review we noticed that the work has been performed on a unit rate schedule basis and approved by the CDM; however, the total cost of the project that has been received by CAT was \$565,848 thus exceeding the amount mentioned in the contract of \$ 475,181. After our inquiry and review of the related documents, we concluded that the difference is referred to the following two sections:

- 1) The first section is related to the Value Added Taxes which equal \$80,780.77 ($\$475,181 * 17\%$),
- 2) The second section is related to additional tasks that were performed by the CAT in the amount of \$9,886.23.

For the first section, in reference to USAID regulations "FAR 52.229-6-Taxes-Foreign Fixed-Price Contract", the USAID funds should not be used to pay VAT or customs, however we ensured that the amount paid for VAT was refunded back by the CDM.

Concerning, for the second section, referring to Exhibit C point number 6.4, "No modifications, alterations, or waiver of any provisions shall be binding on the parties unless evidenced by a written amendment so signed and confirmed by the Contracting Parties". Meanwhile, CAT and CDM do not have such a written amendment for the amount of \$ 9,886.23.

Cause:

CAT is not in compliance with the contract terms and conditions.

Recommendation:

We recommend the CAT to fully comply with its contract terms and conditions.

Management's Response:

PWH did realize during the meeting that the 9,000 US\$ amount that was used to fix CDM tech problem (**) do not represent an issue to consider as valuable finding., even though PTEC did explain this issue in details verbally at the early stages to you. PWH must not consider this as Unit price to be amended contradicting yourselves when you had no Exhibit J available. (** extra lengths of cables, soft Start for Dora site)

Auditor's Response:

We examine the company's compliance with the sub-contract terms and conditions which require any modification, alteration or waiver of any provisions to be in writing.

6- Final Statement

Background:

In accordance with the point 16.2-d: the final payment shall include a final statement which states the following:" Palestinian Tractor and Equipment Co. Ltd has performed all work reflected in this completion invoice and submitted all reports due under this subcontract to Camp Dresser & McKee International Inc. Payment of this invoice in full will constitute full payment of all amounts due Palestinian Co. Ltd under this subcontract. Palestinian Tractor and Equipment Co. Ltd releases Camp Dresser and McKee International Inc. and Owner (USAID) and their officers' agents and employees from all liabilities, obligations and claims arising out or under this subcontract". After our review we noted that the final invoice did not include this statement.

Cause:

The final statement has not been mentioned in the final invoice.

Recommendation:

We recommend the CAT to be in compliance with the contract terms and conditions.

Management's Response:

We PTEC did submit such letter but we don't have a copy as the original was given to the project management CDM, you as PWH may ask CDM for a copy.

Auditor's Response

CAT should maintain copies of all supporting documents in their files.

7- Certificates of Guaranties

Background:

In accordance with point number 3.3 – Exhibit B in the contract, "CAT shall provide the certificates of warranty endorsed to the name of **each municipality** as a first beneficiary and then to CDM as second one". After our review of the certificates of warranties, we noticed that CAT has submitted only one certificate of each type (Performance and Maintenance) and in the name of the CDM, USAID and the PWA.

Cause:

CAT did not issue the certificates of warranties in the name of each municipality.

Recommendation:

We recommend the CDM to be in accordance with the contract terms and conditions by issuing certificates of warranties in the name of the municipalities in which the work was done, or obtaining a written waiver from CDM of this clause.

Management's Response:

PTEC did issue such certificates and copies were also provided to CDM to pass on to PWA and the Municipalities, as requested by CDM engineer, apart from training material displayed at the Municipalities boards we were instructed to hand over all documents and copies to the CDM engineer. Kindly double check this with the CDM.

Auditor's Response

Any coordination or correspondences between CAT and CDM regarding this issue and other issues should have been in writing. Otherwise, we disagree with the CAT, because the term in the sub-contract is clear that the certificate of warranty should be endorsed to the name of each municipality as first beneficiary and then to CDM as second one.

8- CDM Final Completion Statement

Background:

In reference to the point number 19.2 - Exhibit B in the contract: "Only the final completion certificate issued by the CDM to the CAT shall be deemed to constitute approval of the work", and point number 21 in Exhibit C", When the whole of the work has been completed and passed the tests, CAT may give a notice to the CDM. Then CDM shall within 3 days either issue a letter for confirming that the work completed or providing a punch list with the outstanding items.

After our inquiry, we noticed on one hand that the CAT did not issue a letter to inform the CDM that the work has been completed and on the other hand that the CDM did not provide CAT with a letter confirming the completion of the work or a list of the outstanding items to be completed.

Cause:

CAT did not inform CDM of the completion of the work, and did not obtain a confirmation letter for the completion of the work from CDM.

Recommendation:

A written certificate of completion should be obtained as the only evidence of the work completion.

Management's Response:

PTEC requested such statement from Ilham (CDM secretary) and Dwaik (CDM accountant and Mazen Shawahneh, CDM Eng but we do not recall receiving it and if we did, we don't have a copy, kindly check with CDM.

Auditor's Response:

We agree with the subcontractor that CDM did not provide CAT with a letter confirming the completion of the work or a list of the outstanding items to be completed.

9- Performance and Completion Reports

Background:

In reference to AIDAR clause "REPORTS", the CAT shall submitted the following kinds of reports:

- A) Performance Reports, which summarizes the progress of major activities of the project. (The major activities in this project is the installation of each or a group of generators), and
- B) Completion Report, which summarizes the accomplishments of the project, methods of work used and recommendations regarding the unfinished works and / or program continuation, and is, shall be submitted within 30 days after the completion of the work.

Through our examination we did not notice that the CAT has submitted during the work or at the end of the work any kinds of reports.

Cause:

CAT did not inform CDM of the completion of the work, and did not obtain a confirmation letter of the completion of the work from CDM.

Recommendation:

A written certificate of completion should be obtained as the only evidence of the work completion.

Management's Response:

PTEC did submit to CDM the project steps vs period chart and such chart was updated regularly with copies given to CDM engineer. Again we do not keep copies of projects dealt with as hardcopy style for over than 2 years, we only maintain those that are electronically done and accepted as electronically. PTEC several meetings with CDM top management pushing for the last payment to get paid was the indication of completing the terms and the agreement requirements in full. CDM even held a meeting with PWA presence to ensure nothing was left incomplete.

Auditor's Response:

Copies of these reports could not be obtained from CAT. Moreover, its CAT's responsibility to maintain copies of such reports or to obtain these copies from CDM when deemed necessary.

Appendix -A-: Recipient's Response

"PTEC Management" <mgmnt@ptec.com.ps>

17/01/2007 12:00 ٫

To Maisara H Salameh/PS/ABAS/PwC@EMEA-ME
Cc "Mustafa Abu Al Hassan" <Mustafa_cat@msn.com>,
"accounts" <accounts@ptec.com.ps>
Subject
EOC-803-022 CDM - USAID Project

Dear Maisara,
Attached our comments, kindly confirm :
1) Receipt of files.
2) If further findings that are still to be elaborated on.
Regards
Imad

----- Original Message -----

From: Imad Elaref
To: maisara.h.salameh@ps.pwc.com
Cc: accounts ; sales
Sent: Tuesday, January 16, 2007 1:28 PM
Subject: Today's Meeting

Dear Maisara,
Reference our meeting in our offices - Ram Allah today, kindly note:
1) As stated, we were under the impression that if no available material to any point, we had no comments.
2) After confirming what we have said in the meeting would be accepted, then we will provide comments on points before end of this month.
3) There are points we need some info on from CDM, could you help us reach the same people?
Regards
Imad



CDM.zip

The attachment contains the following:

Ref : IE/1601/TKP/07
Date : Jan 17th, 2007
PWH Coopers
El Bireh
Masrouji Building 201
P.O.Box 1317
Subject : EOC-803-022 USAID – CDM – Caterpillar

Dear Sirs,
Reference your subject request on comments needed as per our meeting yesterday, find attached herewith our comments note that we would like that the below preface should be part of our comments in general.

Preface

We are working on a project **Funded** by USAID, **Managed** by CDM and **Implemented** by PTEC that was suppose to be audited after a reasonable time after completion and with the presence of CDM. We PTEC are the authorized dealer of Cat machines and generators and our main core identified as Supply provide warranty and ensure after sales support and therefore tasks such as erection and turnkey works are only optional and are only performed as exceptional emergency project cases. At time of signing such project, CDM had to find a qualified contractor to do the erection and at that time they have requested our help in nominating a company which we did. Then CDM requested if we do the work based on the fact that PWA will be happy and CDM also based on the fact that dealing with one party is a lot easier than many.

During the last stages of the project, we were left to deal with CDM without an engineer for a period that was long enough to delay the final handing over. Below are our comments on the left points for comments bear in mind that many previous raised points were answered and the best effort was made by PTEC team to cooperate with you. PWH know for sure that neither a CDM office nor a CDM person to refer to, and auditing a file by referring to us as (implementing project) rather than managing party of the project would make your work a lot harder and therefore reflecting negatively on PTEC.

PTEC deals with a lot of non USAID projects and the latest one was the Norwegian funded turnkey 216,000 euro project for AIMaqased electricity and gen set project. PTEC did hand over the project Dec06 with the best results and success simply because there was proper system managed by the Norwegian AIMaqased as the project management.

Findings Summary of PTEC comments

Missing Exhibits in The Contract

Exhibit J, description of the work

Exhibit I, tech specs of the gen sets

(Above are attached as per our own wordings and may not necessarily match the missing ones in the project agreement)

2) Project's Period Project was delayed for many justified reasons few of which we list out of memory as:

a) One site. gen set was stoned by settlers and CDM were provided with photos and accepted the fact that damages get fixed before re delivering to site.

b) Several sites were left with work done as installation and laying out cables and preparing trenches but gen sets at our yard waiting for IDF to approve routs to get these transported. CDM as a USAID NGO failed to provide coordination and we left to manage ourselves using uneven routes outside the IDF reach.

c) One site was delayed as all Municipality persons did not attend to work due to the Martyrs of many Aqsa Brigades killed near Nablus. All were busy with funerals and similar occasions.

d) Several sites came on hold as the CDM engineer did not meet the schedule based on the fact that he was waiting for his end of service letter, further delays when the new engineer was hired.

We assume that many reasons were due to political unrest and the CDM project engineer situation, PTEC general interest to work profitably, is not buy gen sets and keep in yard and not pushing for getting it installed .

Findings Summary of PTEC comments

3) Insurance Requirements PTEC did provide the required insurance policies, but endorsements were noted as CDM to carry on since PTEC W.Bank could not reach USAID offices in Tel Aviv for not getting a permit by the IDF.

Insurance liabilities in W Bank were limited based on the fact that insurance companies have no policies as what the project call for, CDM did at that time double check and realized the fact we've mentioned.

4) Executive Order on Terrorist Financing We PTEC as a company or a team key persons did provide our CV's and IDs for checking, we are not terrorist. In fact we protect American interests in the area by marketing only American products.

5) No signed amendment PWH did realize during the meeting that the 9,000 US\$ amount that was used to fix CDM tech problem (**) do not represent an issue to consider as valuable finding., even though PTEC did explain this issue in details verbally at the early stages to you.

PWH must not consider this as Unit price to be amended contradicting yourselves when you had no Exhibit J available. (** extra lengths of cables, soft Start for Dora site)

Findings Summary of PTEC comments

6) Final Statement We PTEC did submit such letter but we don't have a copy as the original was given to the project management CDM, you as PWH may ask CDM for a copy.

7) Certificate of Guaranties PTEC did issue such certificates and copies were also provided to CDM to pass on to PWA and the Municipalities, as requested by CDM engineer, apart from training material displayed at the Municipalities boards we were instructed to hand over all documents and copies to the CDM engineer. Kindly double check this with the CDM.

8) CDM Final Completion Statement PTEC requested such statement from Ilham (CDM secretary) and Dwaik (CDM accountant and Mazen Shawahneh, CDM Eng but we do not recall receiving it and if we did, we don't have a copy, kindly check with CDM.

9) Performance and Completion Reports PTEC did submit to CDM the project steps vs period chart and such chart was updated regularly with copies given to CDM engineer. Again we do not keep copies of projects dealt with as *hardcopy style* for over than 2 years, we only maintain those that are *electronically* done and accepted as electronically .

PTEC several meetings with CDM top management pushing for the last payment to get paid was the indication of completing the terms and the agreement requirements in full. CDM even held a meeting with PWA presence to ensure nothing was left incomplete.

Findings Summary of PTEC comments

10) Marking PWH must understand the fact that NGOs with USAID funded projects must obtain photographs with USAID markings, please obtain the these from CDM. We did place stickers given by CDM on all gen sets one on each side.

We in general reject all PWH listed causes simply because they are invalid we also emphasize on the fact that a project started during 2003 must be audited at least not more than one year later.

Our begged recommendations to PWH – Palestine is to play a good rule with USAID in the future to come up with the best outcome results that must push both the NGOs and the suppliers or contractors

to perform a professional work. KFW , JICA , GTZ, UNDP, EU and BTC are doing excellent work in Palestine.

PWH – Palestine in my opinion can lead this issue and could play an excellent rule in governing poor performed USIAD projects in Palestine. We clearly during the meeting expressed ourselves based on the fact that we would like the Americans to lead others. Kindly take our comments as constructive criticisms.

Best Regards

IEEIE Imad Elaref

PTEC General Manager.