



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: February 29, 2024

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division/Contract Audit Management Branch, Supervisory Auditor, Sheree Marshall

FROM: Director of External Financial Audits Division (IG/A/EFA), David A. McNeil /s/

SUBJECT: Financial Audit of USAID Resources Managed by BAHAR Dernegi Under Program Agreement No. 720BHA21GR00132 Emergency Food Security Program in Syria for the Period from June 1, 2021 through December 31, 2021. (3-000-24-038-R)

This memorandum transmits the final report on the financial audit of the U.S. Agency for International Development (USAID) awards managed by BAHAR Dernegi (BAHAR) for the period from June 1, 2021 through December 31, 2021. BAHAR contracted with the independent certified public accounting firm PKF Khattab & Co. (PKF) to conduct the audit. PKF stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and USAID Financial Audit Guide for Foreign Organizations. However, PKF did not have a continuing professional education program and external quality control reviews that fully satisfy the GAGAS requirements. Also, PKF reported that the assignment was conducted remotely. Therefore, all sources of information and supporting documents provided by BAHAR that form this report's evidence are based on scanned copies only. No originals were provided to be reviewed or verified. PKF holds no responsibility for the authenticity of the provided documents on which the opinion included in the audit report was based. PKF is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on BAHAR's schedule of expenditures of USAID awards; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were to (1) express an opinion on whether the schedule of expenditures of USAID awards for the USAID-funded awards presents fairly in all material respects in relation to the BAHAR Dernegi financial statements as a whole and in revenues received, costs

¹ We reviewed the audit 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 audit firm's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

incurred, and commodities and technical assistance directly procured by USAID for the period audited in conformity with the terms of the agreements; (2) evaluate BAHAR's internal controls related to the USAID-funded programs, assess control risk, and identify reportable conditions, including material internal control weaknesses.; and (3) determine whether the BAHAR complied, in all material respects, with agreement terms and applicable laws and regulations related to USAID-funded programs. To answer the audit objectives, PKF: (1) reviewed direct and indirect costs billed to and reimbursed by USAID and costs incurred but pending reimbursement by USAID, identifying and quantifying any questioned costs; (2) evaluated the effectiveness of the design of internal controls relevant to detecting material non-compliance; and (3) reviewed technical assistance and services procured by the recipient to ensure these were used for their intended purposes and in accordance with the terms of the agreements. PKF examined the projects' USAID costs of \$1,537,529 for the audited period.

PKF concluded that the schedule of expenditures of USAID awards referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USAID for the year then ended in accordance with the terms of the agreements. PKF did not identify any questioned costs or material weaknesses in internal controls. PKF reported two instances of noncompliance that are required to be reported here under U.S. Government Auditing Standards. Additionally, PKF issued a management letter.

During our desk review, we identified two issues PKF will need to address in future audit reports. We presented the issues in a memo to USAID's Chief Financial Officer, dated February 29, 2024.

To address the problems identified in the report, we recommend that USAID's Office of Acquisition and Assistance Cost, Audit and Support Division/Contract Audit Management Branch:

Recommendation I: Verify that BAHAR Dernegi corrects the two instances of noncompliance detailed on page 20 of the audit report.

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oinotice_ndaa5274@usaid.gov.

