



## MEMORANDUM

**DATE:** January 26, 2021

**TO:** USAID/South Sudan, Mission Director, Haven Cruz-Hubbard

**FROM:** USAID OIG Africa Regional Office, Assistant Director, Matthew Rathgeber /s/

**SUBJECT:** Financial Audit of USAID Resources Managed by Bahrain Maritime and Mercantile International BSC in South Sudan Under Contract AID-668-C-14-00001, December 11, 2013, to June 30, 2019 (Report No. 4-668-21-005-N)

This memorandum transmits the final audit report on USAID resources managed by Bahrain Maritime and Mercantile International BSC (BMMI). USAID/South Sudan contracted with the independent certified public accounting firm KPMG, Nairobi, Kenya, to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS). However, it did not have an external peer review that fully satisfied the requirements of GAGAS. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on BMMI's 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 BMMI's internal controls; (3) determine whether BMMI complied with award terms and applicable laws and regulations.

To answer the audit objectives, KPMG (1) audited the fund accountability statement for the award including the budgeted amounts by category and major items and the revenues received from USAID for the period covered by the audit and the costs reported by BMMI as incurred from December 11, 2013, to June 30, 2019; (2) evaluated the control environment, the adequacy of the accounting systems, and control procedures that pertain to BMMI's ability to

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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.

report financial data consistent with the assertions embodied in each account of the fund accountability statement; (3) identified the award terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the fund accountability statement. BMMI reported expenditures of \$13,902,112 in USAID funds during the audited period.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited, except for \$35,113 in total unsupported questioned costs; no material weaknesses in internal control; and five instances of material noncompliance. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that USAID/South Sudan determine if the recipient addressed the issues noted.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to the controller, dated January 26, 2021.

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

**Recommendation 1.** Determine the allowability of \$35,113 in unsupported questioned costs on pages 9, 11, and 14 of the audit report and recover any amount that is unallowable.

**Recommendation 2.** Verify that Bahrain Maritime and Mercantile International BSC corrects the five instances of material noncompliance detailed on pages 18 to 27 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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").