

# OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

## COVID-19: Audit of Costs Incurred by International Medical Corps from March 1, 2020, to March 31, 2022 (3-000-24-002-U)

Final Audit Report 3-000-24-002-U

May 29, 2024





# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** May 29, 2024

**TO:** USAID/Bureau for Management/Office of Acquisition & Assistance, Director, Jamie J. Rodgers

**FROM:** Assistant Inspector General for Audits, Inspections, and Evaluations, Toayoa D. Aldridge /s/

**SUBJECT:** COVID-19: Audit of Costs Incurred by International Medical Corps from March 1, 2020, to March 31, 2022 (3-000-24-002-U)

Enclosed is the final report on the audit of claimed costs incurred by International Medical Corps (IMC) for USAID's Coronavirus Disease of 2019 (COVID-19)-related activities for the period of March 1, 2020, to March 31, 2022.<sup>1</sup> The Office of Inspector General (OIG) contracted with the independent certified public accounting and consulting firm of Kearney & Company P.C. (Kearney) to conduct a performance audit to determine allowability, allocability, and reasonableness of IMC's claimed costs incurred.<sup>2</sup> The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and other guidance and regulations.<sup>3</sup>

In carrying out its oversight responsibilities, OIG reviewed the audit firm's report and related audit documentation and discussed the findings with the firm's representatives. The audit firm is responsible for the enclosed report and conclusions. That said, we found no instances in which the audit firm failed to comply, in all material respects, with applicable standards.

The objectives of this audit were to:

1. Express a conclusion on whether the auditable costs incurred by IMC under the subject awards for the period audited are fairly presented and in conformity with the terms of

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<sup>1</sup> Pursuant to the Pub. L. No. 117-263 § 5274, USAID OIG provides nongovernmental organizations and/or businesses specifically identified in this report 30 days from the date of report publication to submit a written response to USAID OIG. Any comments received will be posted on <https://oig.usaid.gov/>. Please direct inquiries to [oignotice\\_ndaa5274@usaid.gov](mailto:oignotice_ndaa5274@usaid.gov).

<sup>2</sup> The contract provided for similar performance audits for a total of 12 different USAID recipients, the results of which are reported and transmitted separately.

<sup>3</sup> Other guidance and regulations per the contract included the Federal Acquisition Regulation, Agency for International Development Acquisition Regulation, Department of State Standardized Regulations for travel-related expenses, and Title 2 of the Code of Federal Regulations sections 200 and 700.

regulatory and award requirements and generally accepted accounting principles.

2. Identify as unsupported, unreasonable, or ineligible, any questioned auditable costs incurred with implementing USAID's activities for the period audited in conformity with the terms of the regulatory and award requirements and GAAP.
3. Evaluate IMC's contract bidding and procurement processes to determine whether it complied with all contract requirements of regulatory and award requirements.
4. Evaluate and obtain sufficient understanding of IMC's internal controls, assess control risks, and identify reportable conditions, including material internal control weaknesses.
5. Perform tests to determine whether IMC complied in all material respects with regulatory and award requirements related to USAID-funded programs and projects.
6. Determine the extent to which IMC delivered, accounted for, and made proper disposition of commodities and supplies purchased under the contract or furnished by USAID.
7. Determine the extent to which IMC requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements.
8. Determine whether IMC has taken corrective actions on prior audit report recommendations.

To answer the audit objectives, Kearney reviewed IMC's policies, directives, procedures, and internal controls; conducted interviews and walkthroughs; and reviewed agency actions to address any prior audit recommendations for IMC's incurred cost audits.

The audit firm concluded that IMC complied with the standards set by their awards; that costs incurred were allowable, allocable, and reasonable; and that IMC's controls were designed and operating effectively.

However, the auditors were unable to verify the accuracy and completeness of costs included in the testing population. This occurred because USAID did not require IMC to distinguish COVID-19 funds from non-COVID-19 funds in expenditure reports and invoices. As a result, even in cases where IMC separately recorded COVID-19 funded expenditures within their system of record, auditors could not reconcile the amounts with USAID's system. To complete its testing, Kearney relied on IMC to provide a transactional record of costs incurred with COVID-19 funding and adjusted its evaluation methodology. There remains an unmitigated risk that total costs incurred with COVID-19 funding as provided by USAID is not complete, and unallowable costs may exist that would not have been detected by Kearney's audit. Kearney has identified this as a systemic issue pertaining to USAID award terms and conditions and has communicated this to us for appropriate action with responsible parties. As a result, we are not making any recommendations at this time.

In finalizing the report, the audit firm evaluated USAID's response to the draft audit report. We appreciate the assistance provided to our staff and the audit firm's employees during

the engagement.



***Deliverable of the Performance Audit Report for the Incurred  
Cost Audit over International Medical Corp's (IMC)  
Coronavirus Disease 2019 (COVID-19)-Related Activities for  
the Period of March 1, 2020 to March 31, 2022***

***Contract Number: 72001G22C00007***

***April 8, 2024***

**KEARNEY &  
COMPANY**

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*Kearney & Company, P.C.'s TIN is 54-1603527, UEID is UC4BPA3LC4J6, CAGE Code is 1SJ14*

April 8, 2024

Mr. David McNeil  
Director, External Financial Audit (EFA) Division  
Office of the Inspector General  
United States Agency of International Development  
1300 Pennsylvania Avenue, NW  
Washington, D.C. 20523

Dear Mr. McNeil:

Kearney & Company, P.C. (Kearney) has conducted a performance audit of the costs claimed by International Medical Corps (IMC) on its Coronavirus Disease 2019 (COVID-19)-related activities for the period of March 1, 2020 to March 31, 2022. This audit, conducted under Contract No. 72001G22C0007, was designed to meet the objectives identified in the [Objectives](#) section of this report.

Kearney conducted this performance audit in accordance with the standards applicable to performance audits contained in Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States.

The purpose of this report is to communicate the results of Kearney's performance audit and any related findings and recommendations, where applicable.



Kelly Gorrell  
Engagement Partner



***Performance Audit Report for the Incurred Cost Audit over  
International Medical Corps (IMC) Coronavirus Disease 2019  
(COVID-19)-Related Activities for the Period of March 1, 2020  
to March 31, 2022***

***October 31, 2023***

**KEARNEY &  
COMPANY**

**TABLE OF CONTENTS**

	<b><u>Page #</u></b>
<b>Objectives.....</b>	<b>1</b>
<b>Background .....</b>	<b>2</b>
<b>Audit Results .....</b>	<b>3</b>
Conclusion	3
Limitations or Uncertainties with the Reliability or Validity of Evidence	4
<b>Exhibit A: Schedule of Costs Incurred .....</b>	<b>5</b>
<b>Exhibit B: Schedule of Indirect Cost Rates .....</b>	<b>10</b>
<b>Appendix A – Scope and Methodology of the Performance Audit .....</b>	<b>A-1</b>
Scope and Limitations	A-1
Methodology and Work Performed	A-2
Work Related to Internal Controls	A-4
<b>Appendix B – USAID Management Comments.....</b>	<b>B-1</b>



## **OBJECTIVES**

As requested by the United States Agency for International Development (USAID) Office of Inspector General (OIG), Kearney & Company, P.C. (also referred to as “Kearney,” “we,” “us” and “auditor” in this report) audited the allowability, allocability, and reasonableness of costs incurred by International Medical Corps (also referred to as “IMC” and “Recipient” in this report) under USAID-funded awards and related to Coronavirus Disease 2019 (COVID-19) activities for the period of March 1, 2020, to March 31, 2022 (hereinafter referred to as the “auditable costs incurred”). Kearney conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS).

The objectives of the performance audit in detail are to:

1. Express a conclusion on whether the auditable costs incurred by the Recipient under the subject awards for the period audited are fairly presented and in conformity with the terms of regulatory and award requirements and Generally Accepted Accounting Principles (GAAP) or other comprehensive basis of accounting
2. Identify as unsupported, unreasonable, or ineligible, any questioned auditable costs incurred in implementing the USAID activities for the period audited in conformity with the terms of the regulatory and award requirements and GAAP or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis)
3. Evaluate the Recipient’s contract bidding and procurement processes to determine whether it complied with all contract requirements of regulatory and award requirements
4. Evaluate and obtain a sufficient understanding of Recipient’s internal controls, assess control risk, and identify reportable conditions, including material internal control weaknesses
5. Perform tests to determine whether the Recipient complied in all material respects with regulatory and award requirements related to USAID-funded programs and projects. All material instances of noncompliance and indications of illegal acts that have occurred or are likely to have occurred must be identified and reported to the OIG
6. Determine to the extent specified herein if the Recipient has delivered, accounted for, and made proper disposition of commodities and supplies purchased under the contract or furnished by USAID
7. Determine to the extent specified herein if the Recipient has requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements
8. Determine whether the Recipient has taken corrective actions on prior audit report recommendations.

Please see [Appendix A](#) for the scope and methodology of the performance audit.

## **BACKGROUND**

### **About IMC**

IMC provides emergency relief to those struck by conflict, disaster, and disease in a number of countries, including Gaza, Sudan, Syria, Zimbabwe, Democratic Republic of the Congo, Iraq, Libya, Ukraine, Somalia, Nigeria, Ethiopia, and Central African Republic. After the emergency has passed, IMC shifts from emergency medical response to long-term medical support and training. It provides resources and training to help local staff provide a range of services—including healthcare, food, water and sanitation support—to their communities. As part of USAID’s Coronavirus Disease 2019 (COVID-19) relief, IMC provided support to various governments in containing the spread of COVID-19 in vulnerable populations by creating awareness about the disease and strengthening the primary health care services; contributed to the prevention and reduction of excess mortality and morbidity of vulnerable populations through strengthening COVID-19 outbreak preparedness, prevention and response capacities; and supported various health systems manage an outbreak of COVID-19.

([internationalmedicalcorps.org](https://internationalmedicalcorps.org) and [internationalmedicalcorps.org/where-we-work](https://internationalmedicalcorps.org/where-we-work))

In 2022, IMC had Total Operating Support and Revenue of \$220,724,552, which includes revenue from public funding, such as USAID, as well as other sources of revenue, like donations. IMC employs a staff of over 8,000 worldwide, with 96% recruited locally. IMC supported 1,675 health facilities, including 318 mobile clinics to reach people in remote areas. IMC headquarters are located in the United States. (<https://internationalmedicalcorps.org/who-we-are/accountability-financials/>)

### **About USAID**

USAID is an independent Federal agency headquartered in Washington, D.C., and it has a presence in 87 countries. Established in November 1961, USAID is the lead Federal agency that works to end extreme global poverty and enable resilient, democratic societies to realize their potential. USAID is headed by an Administrator and receives overall foreign policy guidance from the Secretary of State.

### **About USAID’s Response to COVID-19**

The USAID OIG’s mission is to safeguard and strengthen United States foreign assistance through timely, relevant, and impactful oversight of the entities under its jurisdiction. USAID has developed programs to help deliver vaccines through the United States Government’s Initiative for Global Vaccine Access (Global VAX), expand access to COVID-19 testing and treatment, protect and train health workers, deliver health commodities and equipment, share accurate and reliable public health information, and safeguard global health security.

In order to execute these programs, in October 2021, USAID developed the "USAID Implementation Plan for the U.S. COVID-19 Global Response and Recovery Framework." This plan establishes five goals:

1. Accelerate widespread and equitable access and delivery of safe and effective COVID-19 vaccinations
2. Reduce morbidity and mortality from COVID-19, mitigate transmission, and strengthen health systems, including preventing, detecting, and responding to pandemic threats
3. Address acute needs driven by COVID-19, mitigate household shocks, and build resilience
4. Bolster economies and other critical systems under stress due to COVID-19 to prevent backsliding and enable recovery
5. Strengthen the international health security architecture to prevent, detect, and respond to pandemic threats.

USAID awarded reimbursable contracts, grants, and cooperative agreements to multiple vendors to help achieve this Implementation Plan. Each of these awards included specific terms and conditions related to the usage of funds from the awards toward COVID-19-related activities.

**AUDIT RESULTS**

We conducted this engagement as a performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Overall, our audit did not identify any findings in the context of the audit objectives and scope.

**Conclusion**

Except for the limitations discussed in the [Limitations or Uncertainties with the Reliability or Validity of Evidence](#) section of this report, Kearney noted that the audit objectives were met.

Objective	Objective Met/ Not Met
The auditable costs incurred by the Recipient under the subject awards for the period audited are fairly presented and in conformity with the terms of regulatory and award requirements and GAAP or other comprehensive basis of accounting	Met
Auditable costs incurred in implementing the USAID activities for the period audited are supported, reasonable, and eligible in conformity with the terms of the regulatory and award requirements and GAAP or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis)	Met
The Recipient’s contract bidding and procurement processes complied with all contract requirements of regulatory and award requirements	Met
The Recipient’s internal controls related to the audit objectives are appropriate, with no identified reportable conditions, including material internal control weaknesses	Met
The Recipient complied in all material respects with regulatory and award requirements related	Met

Objective	Objective Met/ Not Met
to USAID-funded programs and projects	
The Recipient delivered, accounted for, and made proper disposition of commodities and supplies purchased under the contract or furnished by USAID	Met
The Recipient requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements	Met
The Recipient took corrective actions on prior audit report recommendations.	N/A

**Limitations or Uncertainties with the Reliability or Validity of Evidence**

Kearney was unable to validate the completeness of our substantive testing population and relied on the Recipient to provide us with a transactional listing of auditable costs incurred, as it pertains to award number 720BHA21GR00211.

Kearney is unable to verify the accuracy and completeness of this testing population due to a lack of a reconciliation source, as 1) the COVID-19 funded activities in scope included one award that had multiple funding sources and the award terms did not require the Recipient to report costs incurred at the fund level and 2) the period of performance of this award was ongoing as of the end of our audit period end of March 31, 2022. Kearney verified that all costs incurred on award number 720BHA21GR00211, as provided by the Recipient, were below the COVID-19 obligated amount on the award; however, the difference between the obligated amount and auditable costs incurred may be reasonably explained by the scope period. Thus, there remains an unmitigated risk that the population of costs incurred under COVID-19 activities as provided by the Recipient is not complete and unallowable costs may exist that would not have been detected by our audit.

Additionally, Kearney is unable to isolate applied indirect costs on award number 720BHA21GR00211. This award includes multiple funding sources, only one of which is COVID-19 funds; therefore, we are unable to reconcile the transactional detail to the applicable SF-425 and we are unable to quantify total applied indirect costs. Kearney evaluated the methodology of the applied indirect costs to the award as a whole based on the SF 425s and the Negotiated Indirect Cost Rate Agreement (NICRA).

We have identified this as a systemic issue pertaining to USAID award terms and conditions and thus have communicated the issue to the USAID OIG under separate cover for appropriate action with the responsible parties. USAID management provided a communication related to the limitation, which is included in [Appendix B](#).

**EXHIBIT A: SCHEDULE OF COSTS INCURRED**

Major Cost Category by Award	Budgeted Costs (\$ (a))	Actual Costs Incurred and Invoiced (\$ (b))	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
<b>Cooperative Agreements</b>				
Personnel	889,589	98,629	-	98,629
Fringe Benefits and Allowances	232,853	18,366	-	18,366
Travel and Transportation	106,500	5,291	-	5,291
Equipment	49,250	3,203	-	3,203
Supplies	1,507,211	2,218	-	2,218
Contractual	950,000	242,538	-	242,538
Other Direct Costs (ODC)	313,180	15,870	-	15,870
Overhead (OH)	951,417	90,737	-	90,737
<i>Add on Work for AID-294-A-16-00001 Subtotal</i>	<b>5,000,000</b>	<b>476,852</b>	-	<b>476,852</b>
<b>Cooperative Agreement Subtotal</b>	<b>5,000,000</b>	<b>476,852</b>	-	<b>476,852</b>
<b>Grant Award</b>				
Personnel	3,032,390	31,222	-	31,222
Fringe Benefits and Allowances	1,539,421	9,744	-	9,744
Travel and Transport	329,765	11,966	-	11,966
Equipment	48,740	433	-	433
Total Supplies and Program Activities	1,839,100	17,330	-	17,330
Contractual/Sub-Awards	159,300	234	-	234
Construction	59,672	43	-	43
ODCs	926,835	4,329	-	4,329
OH (Note 2)	1,864,777	17,696	-	17,696
<i>New Award 720BHA21GR00211 Subtotal (Note 1)</i>	<b>9,800,000</b>	<b>92,997</b>	-	<b>92,997</b>
Personnel	1,893,386	1,009,291	-	1,009,291
Fringe Benefits	169,917	63,423	-	63,423
Travel and Transport	58,920	70,001	-	70,001
Supplies	701,418	667,264	-	667,264
Sub-Awards and Contracts	1,727,714	588,833	-	588,833
ODCs	306,945	211,980	-	211,980
OH	1,141,700	613,536	-	613,536
<i>New Award 720BHA21GR00224 Subtotal</i>	<b>6,000,000</b>	<b>3,224,328</b>	-	<b>3,224,328</b>
Personnel	1,666,206	1,100,518	-	1,100,518
Fringe Benefits	370,170	112,411	-	112,411

Major Cost Category by Award	Budgeted Costs (\$ (a))	Actual Costs Incurred and Invoiced (\$ (b))	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Travel and Transport	27,350	78,702	-	78,702
Equipment at/above \$5,000	32,500	32,371	-	32,371
Program Activities and Supplies	731,951	196,921	-	196,921
Construction	16,000	4,213	-	4,213
ODCs	546,864	135,484	-	135,484
OH	796,894	390,246	-	390,246
<b><i>New Award 720BHA21GR00226 Subtotal</i></b>	<b><i>4,187,935</i></b>	<b><i>2,050,866</i></b>	<b><i>-</i></b>	<b><i>2,050,866</i></b>
Personnel	366,262	153,209	-	153,209
Fringe Benefits and Allowances	143,185	59,343	-	59,343
Travel and Transport	120,538	67,525	-	67,525
Equipment	97,156	19,636	-	19,636
Supplies	149,634	47,095	-	47,095
Contractual	17,540	6,144	-	6,144
Construction	169,070	-	-	-
ODCs	117,639	39,140	-	39,140
OH	277,540	92,142	-	92,142
<b><i>New Award 720BHA21GR00302 Subtotal</i></b>	<b><i>1,458,564</i></b>	<b><i>484,234</i></b>	<b><i>-</i></b>	<b><i>484,234</i></b>
Personnel	1,619,115	1,171,629	-	1,171,629
Fringe Benefits and Allowances	559,892	433,097	-	433,097
Travel and Transport	327,743	413,711	-	413,711
Equipment	67,200	16,804	-	16,804
Supplies	2,114,332	1,057,541	-	1,057,541
ODCs	570,827	389,807	-	389,807
OH	1,235,891	818,408	-	818,408
<b><i>New Award 720BHA21GR00325 Subtotal</i></b>	<b><i>6,495,000</i></b>	<b><i>4,300,997</i></b>	<b><i>-</i></b>	<b><i>4,300,997</i></b>
Personnel	838,151	1,394,232	-	1,394,232
Fringe Benefits and Allowances	262,513	268,547	-	268,547
Travel and Transportation	548,484	195,608	-	195,608
Equipment	37,440	204,064	-	204,064
Supplies	2,039,123	1,423,264	-	1,423,264
Contractual	85,660	3,787	-	3,787
Other	237,212	555,990	-	555,990
OH	951,417	950,690	-	950,690
<b><i>New Award 720FDA20GR00023 Subtotal</i></b>	<b><i>5,000,000</i></b>	<b><i>4,996,182</i></b>	<b><i>-</i></b>	<b><i>4,996,182</i></b>

Major Cost Category by Award	Budgeted Costs (\$ (a))	Actual Costs Incurred and Invoiced (\$ (b))	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Personnel	1,533,206	2,032,652	-	2,032,652
Fringe Benefits	841,742	738,839	-	738,839
Travel and Transportation	550,357	398,696	-	398,696
Equipment	47,413	96,141	-	96,141
Program Supplies	1,673,997	1,280,512	-	1,280,512
ODCs	396,443	496,318	-	496,318
OH	1,185,142	1,185,142	-	1,185,142
<b><i>New Award 720FDA20GR00032 Subtotal</i></b>	<b>6,228,300</b>	<b>6,228,300</b>	<b>-</b>	<b>6,228,300</b>
Personnel	189,440	229,742	-	229,742
Fringe Benefits	43,337	66,386	-	66,386
Travel and Transportation	27,495	13,084	-	13,084
Program Supplies	507,198	406,985	-	406,985
ODCs	42,247	37,156	-	37,156
OH	190,283	177,038	-	177,038
<b><i>New Award 720FDA20GR00038 Subtotal</i></b>	<b>1,000,000</b>	<b>930,391</b>	<b>-</b>	<b>930,391</b>
Personnel	256,885	292,451	-	292,451
Fringe Benefits	114,538	99,457	-	99,457
Travel and Transportation	41,400	26,736	-	26,736
Equipment	3,000	19,602	-	19,602
Program Supplies	131,230	99,465	-	99,465
Contractual	25,000	32,068	-	32,068
ODCs	75,720	68,991	-	68,991
OH	152,227	150,111	-	150,111
<b><i>New Award 720FDA20GR00040 Subtotal</i></b>	<b>800,000</b>	<b>788,881</b>	<b>-</b>	<b>788,881</b>
Personnel	937,191	1,030,874	-	1,030,874
Fringe Benefits and Allowances	312,581	385,529	-	385,529
Travel and Transport	236,988	351,304	-	351,304
Equipment	45,753	40,374	-	40,374
Supplies	1,046,749	775,821	-	775,821
ODCs	175,647	171,007	-	171,007
OH	647,404	647,404	-	647,404
<b><i>New Award 720FDA20GR00043 Subtotal</i></b>	<b>3,402,313</b>	<b>3,402,313</b>	<b>-</b>	<b>3,402,313</b>
Personnel Costs	980,843	1,020,265	-	1,020,265
Fringes Benefits and Allowances	239,668	166,795	-	166,795



Major Cost Category by Award	Budgeted Costs (\$ (a))	Actual Costs Incurred and Invoiced (\$ (b))	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Travel	307,028	234,604	-	234,604
Equipment	42,980	221,775	-	221,775
Program Supplies	844,692	704,330	-	704,330
ODCs	94,910	162,352	-	162,352
OH	589,879	589,879	-	589,879
<b><i>New Award 720FDA20GR00049 Subtotal</i></b>	<b><i>3,100,000</i></b>	<b><i>3,100,000</i></b>	<b><i>-</i></b>	<b><i>3,100,000</i></b>
Personnel	429,554	414,833	-	414,833
Fringe Benefits and Allowances	127,830	120,796	-	120,796
Travel and Transport	113,084	131,932	-	131,932
Equipment	36,436	21,428	-	21,428
Supplies	738,389	842,521	-	842,521
Contractual	59,513	1,606	-	1,606
ODCs	141,576	87,704	-	87,704
OH	386,900	380,893	-	380,893
<b><i>New Award 720FDA20GR00109 Subtotal</i></b>	<b><i>2,033,282</i></b>	<b><i>2,001,713</i></b>	<b><i>-</i></b>	<b><i>2,001,713</i></b>
Personnel	239,020	573,041	-	573,041
Benefits and Allowances	85,451	168,943	-	168,943
Travel	109,109	152,718	-	152,718
Equipment	64,143	84,869	-	84,869
Transport	-	-	-	-
Program Inputs and Supplies	806,062	298,248	-	298,248
Other Costs	72,734	98,689	-	98,689
OH	323,482	323,479	-	323,479
<b><i>New Award 720FDA20GR00110 Subtotal</i></b>	<b><i>1,700,001</i></b>	<b><i>1,699,987</i></b>	<b><i>-</i></b>	<b><i>1,699,987</i></b>
Personnel	205,152	241,147	-	241,147
Fringe Benefits and Allowances	61,340	89,664	-	89,664
Travel and Transport	42,922	55,728	-	55,728
Equipment	12,211	15,076	-	15,076
Supplies	98,276	105,124	-	105,124
Contractual	1,114,196	1,044,539	-	1,044,539
ODCs	85,336	68,142	-	68,142
OH	380,567	380,564	-	380,564
<b><i>New Award 720FDA20GR00182 Subtotal</i></b>	<b><i>2,000,000</i></b>	<b><i>1,999,984</i></b>	<b><i>-</i></b>	<b><i>1,999,984</i></b>
Personnel	239,509	272,992	-	272,992



Major Cost Category by Award	Budgeted Costs (\$ (a))	Actual Costs Incurred and Invoiced (\$ (b))	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Fringe Benefits	70,613	57,247	-	57,247
Travel and Transport	157,346	261,155	-	261,155
Equipment	8,754	4,148	-	4,148
Program Supplies	396,964	274,448	-	274,448
Other	17,103	20,285	-	20,285
OH	209,218	209,215	-	209,215
<i>New Award 720FDA20GR00186 Subtotal</i>	<i>1,099,507</i>	<i>1,099,490</i>	<i>-</i>	<i>1,099,490</i>
<b>Grant Award Subtotal</b>	<b>54,304,902</b>	<b>36,400,663</b>	<b>-</b>	<b>36,400,663</b>
<b>Grand Total</b>	<b>59,304,902</b>	<b>36,877,515</b>	<b>-</b>	<b>36,877,515</b>

- a) This column was compiled based on the internal budgets utilized by International Medical Corps (IMC) and on the budget displayed in the specific award agreements. While some of the costs incurred towards individual cost categories are above the budgeted amount, IMC was within the budget in totality
- b) Amounts listed represent costs incurred under Coronavirus Disease 2019 (COVID-19)-funded awards

*Note 1:* Kearney noted that this award had multiple funding sources including both COVID-19 funds and non-COVID-19 funds. IMC informed Kearney that only \$75,301 of the total \$4,702,147 of direct costs incurred to the award were associated with COVID-19 funding. Specifically, \$18,038 of the \$75,301 are specific transactions located in IMC's GL detail, while \$57,264 of the costs are support costs allocated from the total support costs, as these costs represent costs that support all IMC's efforts over the award. Further, since IMC does not break out these transactions between COVID-19 funds and non-COVID-19 funds, the detailed budget utilized for our exhibit is based on both the COVID-19 and non-COVID-19 funds. See the [Limitations or Uncertainties with the Reliability or Validity of Evidence](#) Section for a scope limitation related to this award.

*Note 2:* The OH amount shown in this exhibit for this award is based on the application of provisional indirect cost rates to the COVID-19-related costs in the bases as shown in the General Ledger provided to us by the Recipient; therefore, the indirect costs will not reconcile to the SF 425s. See the [Limitations or Uncertainties with the Reliability or Validity of Evidence](#) Section for our full scope limitation.

**EXHIBIT B: SCHEDULE OF INDIRECT COST RATES**

Indirect Rate	Award Number	Negotiated Indirect Cost Rate Agreement (NICRA) Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (\$) (b)
OH (a)	AID-294-A-16-00001	<b>Final as of 06/30/2020</b> 19.99% <b>Provisional as of 07/01/2020</b> 23.50%	386,115	90,737
	720BHA21GR00211 (Note 1)		75,301	17,696
	720BHA21GR00224		2,610,792	613,536
	720BHA21GR00226		1,660,620	390,246
	720BHA21GR00302		392,092	92,142
	720BHA21GR00325		3,482,589	818,408
	720FDA20GR00023		4,045,492	950,690
	720FDA20GR00032		5,043,158	1,185,142
	720FDA20GR00038		753,353	177,038
	720FDA20GR00040		638,770	150,111
	720FDA20GR00043		2,754,909	647,404
	720FDA20GR00049		2,510,121	589,879
	720FDA20GR00109		1,620,820	380,893
	720FDA20GR00110		1,376,508	323,479
	720FDA20GR00182		1,619,420	380,564
720FDA20GR00186	890,275	209,215		
<b>Grand Total</b>			<b>29,860,335</b>	<b>7,017,180</b>

- a) The OH base is total cost incurred excluding OH, donated services and supplies, contributions to others, and donated United States (U.S.) Government distributed commodities, and freight (i.e., ocean, inland, and international transport, storage and handling) related to U.S. Government commodities
- b) Amounts in this column were calculated utilizing the provisional rate of 23.50%, as no costs were incurred before 6/30/2020

*Note 1:* The OH amount shown in this exhibit for this award is based on the application of provisional indirect cost rates to the COVID-19-related costs in the bases as shown in the General Ledger provided to us by the Recipient; therefore, the indirect costs will not reconcile to the SF 425s. See the [Limitations or Uncertainties with the Reliability or Validity of Evidence](#) Section for our full scope limitation.

## APPENDIX A – SCOPE AND METHODOLOGY OF THE PERFORMANCE AUDIT

### Scope and Limitations

For a performance audit, scope is defined as the boundary of the audit and is directly tied to the audit objectives. The scope defines the subject matter that the auditors will assess and report on, such as a particular program or aspect of a program, the necessary documents or records, the period of time reviewed, and the locations that will be included. The scope of this performance audit:

- Is limited to the testing of the documentation and costs incurred for Coronavirus Disease 2019 (COVID-19) activities under International Medical Corp’s (also referred to as “IMC” and “Recipient”) multiple awards for the period March 1, 2020, to March 31, 2022

Award Number	United States Agency for International Development (USAID) Obligated Amount (\$)	Total Auditable Costs (\$)
AID-294-A-16-00001	5,000,000	476,851
720FDA20GR00023	5,000,000	4,996,182
720FDA20GR00032	6,228,300	6,228,300
720FDA20GR00043	3,402,313	3,402,313
720FDA20GR00040	800,000	788,881
720FDA20GR00038	1,000,000	930,391
720FDA20GR00049	3,100,000	3,100,000
720FDA20GR00110	1,700,000	1,699,987
720FDA20GR00109	2,033,282	2,001,713
720FDA20GR00186	1,099,507	1,099,490
720FDA20GR00182	2,000,000	1,999,984
720BHA21GR00325	4,657,472	4,300,997
720BHA21GR00226	4,187,935	2,050,866
720BHA21GR00211	2,000,000	92,997
720BHA21GR00302	1,458,570	484,234
720BHA21GR00224	6,000,000	3,224,328

- Included the necessary documents or records requested from the awardees, USAID, and USAID Office of Inspector General (OIG) to complete testing and perform walkthroughs for key controls/processes as they relate to COVID-19 activities performed by the Recipient
- Included fieldwork that was conducted at IMC’s office located in Split, Croatia, from April 19, 2023 to April 25, 2023 and virtually from April 26, 2023 to October 31, 2023, and covered the audit scope period of March 1, 2020 to March 31, 2022. In addition, the following IMC overseas locations had transactions that were included in our samples: Gaza, Sudan, Syria, Zimbabwe, Dominican Republic of the Congo, Iraq, South Sudan, Libya, Ukraine, Somalia, Nigeria, Ethiopia, and Central African Republic.

*Limitation:* See the [Limitations or Uncertainties with the Reliability or Validity of Evidence](#) Section of this report for the limitation noted.

To obtain background information for this performance audit, Kearney & Company, P.C. (also referred to as “Kearney,” “we,” “us” and “auditor”) reviewed:

1. The Federal Acquisition Regulation (FAR)
2. The Agency for International Development Acquisition Regulation (AIDAR)
3. Department of State Standardized Regulations (DSSR) for travel-related expenses
4. Title 2 Code of Federal Regulations (CFR) 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*
5. Title 2 CFR 700, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards - USAID Supplement*
6. Contract/Award Terms
7. Other relevant regulations/policies.

## Methodology and Work Performed

Kearney conducted this performance audit in the following three phases:

1. **Planning** – Obtaining initial documentation to document our understanding of the needs of the user, the objectives of the audit, establishing a team that possesses the adequate professional competence, and determining if there were investigations or legal proceedings and prior audit findings to be considered in our risk assessment and planned procedures. Conducting a risk assessment, including an evaluation of control risk, and preparing an audit plan/program that is responsive to risks identified
2. **Internal Controls and Testing** – Testing the auditable costs incurred, operating effectiveness of internal controls, and compliance with award terms as they pertain to the objectives and the audit plan/program
3. **Wrap-Up and Reporting** – Concluding on the objectives under USAID funded COVID-19 activities for the period of March 1, 2020, to March 31, 2022.

Kearney designed our methodology to obtain reasonable assurance that the evidence is sufficient and appropriate to support our conclusion in relation to the audit objectives and to reduce audit risk to an acceptable level. Our methodology included the following procedures for gathering and analyzing evidence to address the audit objectives:

- Requesting overview information from the Recipient, USAID, and the USAID OIG for the in-scope awards:
  - Contract(s)/award(s) between USAID and the Recipient for the applicable years
  - Relevant previous audits undergone by the Recipient
  - Subcontracts/subawards with third parties, if applicable
  - Budgets, authorization letters, and written procedures approved by USAID
  - USAID Automated Directives System (ADS)
  - All program financial and progress reports; accounting ledgers; charts of accounts; organizational charts; accounting systems descriptions; procurement policies and procedures; and receipt, inventory, warehousing, and distribution procedures for

- materials/supplies/commodities necessary to successfully complete the required work
- Conducting walkthroughs with the Recipient’s personnel on its procedures and progress relating to COVID-19 activities and awards
  - Conducting interviews to discuss the procedures in place to prevent/detect fraudulent activities
  - Completing risk assessments to assess inherent risk and control risk and determine the combined risk of failed objectives
  - Evaluating the control environment and control procedures
  - Testing properly designed controls/process for completeness and operating effectiveness
  - Identifying the legal and regulatory requirements and award provisions and determining which of those, if not observed, could have a direct and material effect on the general and subsidiary ledgers
  - Reconciling direct costs incurred and reported to USAID to the program and general ledgers
  - Reviewing procurement procedures to determine that sound procedures and practices exist for competitive sourcing, reasonable prices, and adequate administrative control over the qualities and quantities of goods and services ordered and received, as well as any applicable USAID approval of subawards
  - Reviewing the status of actions taken on findings and recommendations reported in prior audit reports that affect the audit
  - Reviewing a maximum statistical sample (i.e., sampling at the maximum confidence level prescribed by standards and permits projection of results) of direct costs incurred and reported to USAID, identifying and quantifying questioned costs. For each sample:
    - Determining if payments have been made in accordance with legal and regulatory requirements and award provisions
    - Determining if funds have been expended for purposes not authorized or not in accordance with applicable regulatory requirements and award provisions
    - Identifying any costs not considered appropriate, as well as classifying and explaining why these costs are questioned
    - Determining whether any commodities directly procured by USAID are unaccounted for or have not been used for their intended purposes in accordance with the award. If so, the cost of such commodities must be questioned
    - Determining whether any technical assistance provided under the award is unaccounted for or has not been used for its intended purpose in accordance with the agreement
    - Determining if the technical assistance as applicable was provided according to the award and to the project needs
    - Determining if those who received services and benefits were eligible to receive them
    - Determining if the Recipient’s financial reports and claims for costs reported to USAID contain information that is supported by the books and records
  - Recalculating the applied indirect costs on auditable direct costs incurred, including evaluating the appropriateness of indirect rates used and their application
  - Reviewing general and program ledgers to determine whether costs incurred were properly recorded
  - Determining whether program income was added to funds used to enhance eligible

program objectives, to finance the non-Federal share of the program, or was deducted from program costs in accordance with USAID regulations, other implementing guidance, or the terms and conditions of the award

- Reviewing time and attendance records, payroll, personnel, and/or other records to determine if an employee was a real employee who worked on the contract/award effort, comparing the total hours charged to each project between the time and attendance records and the summary of payroll report, and ensuring that the total hours charged for the staff during the month are in accordance with the approved Level of Effort (LOE)
- If applicable, determining whether adequate approvals on labor costs have been obtained for any works/changes made to the contract/award, determining if overtime was charged to the program and whether it is allowable under FAR requirements or contract provisions, and reviewing salary charges to determine whether salary rates and salary increases are approved by the USAID Contracting Officer (CO) for that position when USAID approval is required and supported by appropriate payroll records
- Reviewing travel and transportation charges to determine whether they are adequately supported and approved
- Reviewing commodities (e.g., supplies, materials, vehicles, equipment, food products, tools) procured by the Recipient, as well as those directly procured by USAID for the Recipient's use, to determine if the Recipient has delivered, accounted for, and made proper disposition of commodities and supplies purchased under the contract or furnished by USAID
- Ensuring that items included in inventory indicate that they were titled to the appropriate entity based on existing regulatory and other requirements
- Conducting an Exit Conference upon the conclusion of testing
- Evaluating any control deficiencies noted during the performance audit
- Reporting on costs to conclude on the allowability, allocability, and reasonableness of costs incurred related to COVID-19 activities
- Drafting an audit report with findings and conclusions for internal Kearney review
- Issuing the draft report to the USAID OIG on Kearney's findings and conclusions for review and comment
- Obtaining comments from the Recipient on any reportable findings
- Completing Quality Control (QC) and wrap-up procedures to verify compliance of the performance audit with GAGAS
- Evaluating and incorporating OIG's feedback, as necessary, and the Recipient's responses to any findings, issuing a final report to the USAID OIG.

### **Work Related to Internal Controls**

Kearney performed steps to assess the adequacy of internal controls that we deemed to be significant within the context of the audit objectives. We assessed the design of controls by evaluating the control environment and the key control procedures, and tested properly designed controls for operating effectiveness. Specifically, we reviewed key controls with regard to the following:

- Ensuring that charges to the contracts were proper and supported

- Managing cash on hand and in bank accounts
- Reviewing procurement procedures and practices
- Receiving and inventory functions, if applicable
- Managing personnel functions (e.g., timekeeping, salaries, benefits)
- Managing and disposition of commodities (e.g., vehicles, equipment, tools) purchased either under the program or furnished by USAID
- Ensuring compliance with regulatory and contractual requirements that collectively have a material impact on IMC's general and subsidiary ledgers.

Results of the work performed on internal controls during the performance audit are detailed in the [Audit Results](#) section of the report.



**APPENDIX B – USAID MANAGEMENT COMMENTS**

At the request of the USAID OIG, a communication from USAID management regarding the limitations of the audit is included below. The communication was not subject to any procedures and, accordingly, we express no assurance on the communication as it is not required under GAGAS.

**MEMORANDUM**

**TO:** Deputy Assistant Inspector General for Audits, Toayoa D. Aldridge

**FROM:** USAID/Office of Acquisition and Assistance, Director, Jami J. Rodgers

**DATE:** March 8, 2024

**SUBJECT:** Management Comments to Respond to the Draft Audit Report Produced by the Office of Inspector General (OIG) titled, "COVID-19: Audit of Costs Incurred by International Medical Corps from March 1, 2020, to March 31, 2022" (3-000-24-002-U) prepared by Kearney & Company P.C. (Kearney) on behalf of the Office of the USAID Inspector General (OIG) on February 23, 2024

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The U.S. Agency for International Development (USAID) thanks the Office of Inspector General (OIG) for the opportunity to provide comments on the subject draft report regarding the audit of incurred costs by International Medical Corps (IMC) for Coronavirus Disease 2019 (COVID-19) activities for the period of March 1, 2020, to March 31, 2022.

USAID acknowledges that Kearney obtained sufficient, appropriate evidence to provide a reasonable basis for audit findings and conclusions. USAID appreciates that the evidence obtained during this audit provides a reasonable basis for Kearney's overall conclusion that the audit did not identify any findings and offered no recommendations.

Although this audit did not result in recommendations which require management comment, USAID would like to provide comment on the following two issues highlighted in the audit:

- (1) Audit Barriers for Awards with Multiple Funding Sources; and
- (2) Audit limitations due Uncertainties with the Reliability or Validity of Evidence



COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) ON THE DRAFT REPORT RELEASED BY THE USAID OFFICE OF THE INSPECTOR GENERAL (OIG) TITLED, "COVID-19: AUDIT OF COSTS INCURRED BY INTERNATIONAL MEDICAL CORPS FROM MARCH 1, 2020, TO MARCH 31, 2022" (3-000-24-002-U) PREPARED BY KEARNEY & COMPANY P.C. (KEARNEY) ON BEHALF OF THE OFFICE OF THE USAID INSPECTOR GENERAL (OIG) ON  
FEBRUARY 23, 2024

**Audit Barriers for Awards with Multiple Funding Sources**

During the audit period, Kearney was unable to isolate the applied indirect costs under award 720BHA21GR00211. This award includes multiple funding sources, only one of which is COVID-19 funds. As result, Kearney was unable to reconcile the transactional detail to the applicable SF-425 for this award and was unable to quantify the total applied indirect costs. As a result, Kearney evaluated the methodology of the applied indirect costs to the whole award based on the SF-425s and the Negotiated Indirect Cost Rate Agreement (NICRA).

USAID acknowledges the difficulties in auditing cost-reimbursable awards with multiple funding sources and is committed to improve the transparency of these awards by developing specific award terms and conditions related to awards that have separate and distinct funding sources. M/OAA will ensure that the newly developed award terms and conditions provide the clarity needed to allow for the proper reconciliation of these costs to the SF-425s and to the applicable NICRA rates used under the award.

- **Target Completion Date:** Because Kearney identified this as systemic issue pertaining to USAID award terms and conditions and have communicated the issue to the USAID OIG under separate cover, M/OAA will wait for OIG recommendations regarding the specific actions needed to fully address this issue.

**Audit Limitations Due to Uncertainties with the Reliability or Validity of Evidence**

USAID recognizes the audit limitations discussed in the *Limitations or Uncertainties with the Reliability or Validity of Evidence* section of this report which pertains to only award 720BHA21GR00211. As noted on page 4 of the audit, Kearney was unable to validate the completeness of the testing population and relied on IMC to provide Kearney with a transactional listing of auditable costs incurred for this specific award. Kearney was unable to verify the accuracy and completeness of this testing population due to a lack of a reconciliation source for the following reasons:

- (1) Award 720BHA21GR00211 had multiple funding sources and the award terms did not require IMC to report costs incurred at the fund level which prevented Kearney from fully identifying costs incurred for only COVID-19 activities; and
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- (2) The period of performance of this award was ongoing as of the end of the audit period end date of March 31, 2022.

IMC informed Kearney that only \$75,301 of the total \$4,702,147 of direct costs incurred under this award were associated with COVID funding. Specifically, \$18,038 of the \$75,301 are specific transactions located in IMC's general ledger (GL) detail, while \$57,264 of the costs are support costs allocated from the total support costs, as these costs represent costs that support all IMC's efforts over the award. Since IMC did not break out these transactions between COVID-19 funds and non-COVID-19 funds, the detailed budget utilized for Kearney's exhibit is based on both the COVID-19 and non-COVID-19 funds.

Because of these limitations, Kearney stated that *"...there remains an unmitigated risk that the population of costs incurred under COVID-19 activities as provided by IMC is not complete and unallowable costs may exist that would not have been detected by this audit."* While USAID understands that there may be a chance that unallowable and/or questioned costs could exist under award 720BHA21GR00211, USAID must highlight that the likelihood of this occurring is extremely low considering that the combined total of \$36.7M audited under the other 15 IMC awards did not identify any unallowable or questioned costs. Indeed, Kearney only audited \$92,997 of costs related to COVID-19 activities under 720BHA21GR00211 which represents only .25% of the total costs audited under the other 15 awards. Further, although indirect costs of \$57,264 under this award could not be segregated based on COVID-19 and non-COVID-19 activities, if unallowable and/or questioned costs were to be identified, the amount would be considered immaterial when compared to the entire universe of IMC costs audited under this performance audit.

Additionally, considering that 74.2% of the total obligated COVID-19 funds were audited within the audit period without any identified unallowable and/or questioned costs, the statistical likelihood of unallowable costs being detected in the remaining 25.8% of costs that could be incurred beyond the audit period end date of March 30, 2022, is also very small.

Despite these cited audit limitations, USAID would like to emphasize that Kearney verified that all costs incurred on award number 720BHA21GR00211, as provided by IMC, were below the COVID-19 obligated amount on the award, indicating that the overall audit risk associated with these costs are low.

In view of the above, we request that the OIG inform USAID of the additional action and/or recommendations needed to revise award terms and conditions for awards with multiple funding sources.

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**CLEARANCE PAGE FOR Management** Comments in response to the Draft Audit Report Produced by the Office of Inspector General (OIG) titled, “COVID-19: Audit of Costs Incurred by International Medical Corps from March 1, 2020, to March 31, 2022” (3-000-24-002-U) prepared by Kearney & Company P.C. (Kearney) on behalf the Office of the USAID Inspector General (OIG) on February 23, 2024

**Approved: M/OAA: JRodgers 3/8/2024**

**Clearances:**

<b>Bureau/IO/Mission</b>	<b>Clearance Status</b>	<b>Date</b>
M/OAA/ACTS: DBroderick	Cleared	03/08/2024
M/OOAA/CAS: SSnyder	Cleared	03/08/2024
GC/A&A: DPerone	Cleared	03/08/2024

**Drafter: M/OAA/CAS**