

OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

COVID-19: Audit of Costs Incurred By International Rescue Committee, from March 1, 2020, to March 31, 2022

Audit Report 3-000-24-013-U
July 5, 2024



Office of Audits, Inspections, and Evaluations



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: July 5, 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 Rescue Committee, from March 1, 2020, to March 31, 2022 (3-000-24-013-U)

Enclosed is the final report on the audit of claimed costs incurred by International Rescue Committee (IRC) for USAID's Coronavirus Disease of 2019 (COVID-19)-related activities for the period of March 1, 2020, to March 31, 2022.¹ 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 costs incurred by IRC.² The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

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 IRC 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).

¹ Pursuant to 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.

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

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 IRCs contract bidding and procurement processes to determine whether it complied with regulatory and award requirements.
4. Evaluate and obtain sufficient understanding of IRC's internal controls, assess control risks, and identify reportable conditions, including material internal control weaknesses.
5. Perform tests to determine whether IRC complied in all material respects with regulatory and award requirements related to USAID-funded programs and projects.
6. Determine the extent to which IRC 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 IRC requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements.
8. Determine whether IRC has taken corrective actions on prior audit report recommendations.

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

Kearney concluded that objective five was not met and had one reportable finding. Specifically, Kearney found that one selected annual report and one selected final report did not contain the environmental information required by the award. In all other regards, Kearney concluded that IRC complied with the standards set by their awards; that costs incurred were allowable, allocable, and reasonable; and that IRC's controls were designed and operating effectively.

In addition, the auditors were unable to verify the accuracy and completeness of costs included in the testing population. This occurred because USAID did not require IRC to distinguish COVID-19 funds from non-COVID-19 funds in expenditure reports and invoices. As a result, even in cases where IRC 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 IRC 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 thus communicated the issue to us under separate cover for appropriate action with responsible parties. As a result, we are not making any recommendations to address this weakness at this time.

To address the weakness regarding noncompliance with award requirements identified in Kearney's report, we recommend that USAID's Director, Office of Acquisition & Assistance:

Recommendation I. Require International Rescue Committee to develop and implement procedures to include complete environmental information in its program reports or obtain Agency approval to exempt recipients from the reporting requirements.

In finalizing the report, OIG evaluated USAID's response to the recommendation. We consider recommendation I resolved but open pending completion of planned activities. Please provide evidence of final action to the Audit Performance and Compliance Division.

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 Rescue Committee's (IRC)
Coronavirus Disease 2019 (COVID-19)-Related Activities for
the Period of March 1, 2020 to March 31, 2022***

Contract Number: 72001G22C00007

May 3, 2024

**KEARNEY &
COMPANY**

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Kearney & Company, P.C.'s TIN is 54-1603527, UEID is UC4BPA3LC4J6, CAGE Code is 1SJJ14

May 3, 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 Rescue Committee (IRC) 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 Rescue Committee's (IRC) Coronavirus Disease
2019 (COVID-19)-Related Activities for the Period of March 1,
2020 to March 31, 2022***

January 12, 2024

**KEARNEY &
COMPANY**

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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 Rescue Committee (also referred to as “IRC” 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 IRC

IRC is headquartered in New York City, New York and operates internationally in over 40 countries, including Sudan, Libya, Democratic Republic of the Congo, Mali, Syria, and Niger. IRC helps restore the health, safety, education, economic wellbeing, and power to people devastated by conflict and disaster. As part of USAID's COVID-19 relief, IRC is teaching proper handwashing techniques, training health workers, delivering food and medicine, and equipping aid workers with protective equipment.

In Fiscal Year (FY) 2021, IRC received \$979 million in revenue, including public funding from USAID, as well as other sources of revenue such as donations. IRC has over 17,000 staff around the world and helped support over 3,137 health facilities. (<https://www.rescue.org/page/contact-irc>, <https://www.rescue.org/page/ircs-impact-glance>, 2021 Annual Report available at <https://www.rescue.org/financial-information>)

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 Kearney 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 identified one finding in the context of the audit objectives and scope, as follows:

1. One sampled Annual Report and one sampled Final Report did not contain the environmental information required by the award. Specifically:
 - a. The 2021 Annual Report for award 720BHA21GR00299 did not describe how the environmental or climate issues were addressed and the positive outcomes for the environment, climate sustainability, or better future resilience against complex and natural disasters, as required by the award
 - b. The 2022 Final Report for award 720BHA21GR00299 did not sufficiently describe how the recipient ensured that the environment is protected; how it managed the risks to the environment; what environmental guidance/policies they used; and/or what the specific positive outcomes to the environment, climate sustainability, or better future resilience against complex and natural disasters, as required by the award.

Conclusion

Kearney determined that one objective was not met. Further, except for the limitations discussed in the [Limitations or Uncertainties with the Reliability or Validity of Evidence](#) section of this report, Kearney concludes that all other applicable performance audit objectives were met.

Objective	Objective Met/Not Met	Related Finding Reference
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	Not Applicable (N/A)

Objective	Objective Met/Not Met	Related Finding Reference
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	N/A
The Recipient’s contract bidding and procurement processes complied with all contract requirements of regulatory and award requirements	Met	N/A
The Recipient’s internal controls related to the audit objectives are appropriate, with no identified reportable conditions, including material internal control weaknesses	Met	N/A
The Recipient complied in all material respects with regulatory and award requirements related to USAID-funded programs and projects	Not Met	Finding #1
The Recipient delivered, accounted for, and made proper disposition of commodities and supplies purchased under the contract or furnished by USAID	Met	N/A
The Recipient requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements	Met	N/A
The Recipient took corrective actions on prior audit report recommendations.	Met	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 the following awards in the scope of our audit:

- 720BHA21GR00042
- 720BHA21GR00225
- 720FDA20GR00068
- AID-OAA-G-15-00003
- 720BHA21GR00227
- 720BHA21GR00257.

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 within the in-scope awards listed above were the result of modifications to add COVID-19 funds and the award terms did not require the Recipient to report costs incurred at the fund level, and 2) the period of performance of a portion of the in-scope awards listed above were ongoing as of the end of our audit period end of March 31, 2022. Kearney verified that all costs incurred as provided by the Recipient were below the COVID-19 obligated amount by award in all material respects; 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 the awards listed above that are funded through modifications or were new awards with multiple funding sources. These awards include multiple funding sources, only one of which is COVID-19 funds; therefore, we are unable to reconcile the transactional detail to the applicable Standard Form (SF)-425 or invoice, and we are unable to quantify total applied indirect costs. Kearney evaluated the methodology of the applied indirects to the award as a whole based on the SF-425s or invoice 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 D](#).

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Finding #1: Environmental Information Not Included in Annual and Final Reports (Non-Compliance)

Condition: One sampled Annual Report and one sampled Final Report did not contain the environmental information required by the award. Specifically:

- The 2021 Annual Report for award 720BHA21GR00299 did not describe how the environmental or climate issues were addressed and the positive outcomes for the environment, climate sustainability, or better future resilience against complex and natural disasters
- The 2022 Final Report for award 720BHA21GR00299 did not sufficiently describe how the recipient ensured that the environment is protected; how it managed the risks to the environment; what environmental guidance/policies they used; and/or what the specific positive outcomes to the environment, climate sustainability, or better future resilience against complex and natural disasters.

Criteria: Award 720BHA21GR00299; Section 1.5, Reporting, Monitoring, and Evaluation (c)(8), *Environmental Compliance Reporting – COVID IEE*, states:

“In accordance with Condition 1 of the Strategic COVID Initial Environmental Examination (IEE) for BHA COVID-19 American Rescue Plan Act (ARPA) ESF (<https://www.usaid.gov/humanitarianassistance/partner-with-us/bha-emergency-guidelines>), the Recipient must include climate and environment considerations in all semi-annual, annual, and final performance reports. The Recipient must answer the following questions in reports which are based on the 8+3 template of the “Grand Bargain” commitments of humanitarian actors towards harmonized reporting:

(A) Describe how environmental or climate issues were addressed. The Recipient must address how the recipient ensures that the environment is protected and manages risks to the environment. The Recipient must also address what environmental guidelines or policies they followed.

(B) Describe any positive outcomes for the environment, for climate sustainability, or better future resilience against complex and natural disasters.”

Cause: IRC did not include and/or fully understand the extent of the required environmental information.

Effect: IRC is non-compliant with its award terms related to environmental compliance reporting.

Recommendation: Kearney recommends that IRC include the full and complete environmental

information in its applicable Program Reports or obtain USAID’s approval that exempts it from the reporting requirement.

Management’s Views on Conclusions and Findings: See [Appendix B](#) for full response.

Kearney’s Evaluation of Management’s Comments: See [Appendix C](#) for full response.

Exhibit A: Schedule of Costs Incurred

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred and Invoiced (\$ (b))	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Grant Assistance				
Labor	1,150,000 (Note 1)	62,768	-	62,768
Benefits		45,200	-	45,200
Other Direct Costs (ODC)		4,294	-	4,294
Travel		3,217	-	3,217
Subgrant		1,021,845	-	1,021,845
Indirect Costs (Note 2)		22,167	-	22,167
Award Limitations (Note 3)		(9,491)	-	(9,491)
Add-on Work for 720BHA21GR00042 Subtotal		1,150,000	1,150,000	-
Labor	5,500,000 (Note 1)	1,193,822	-	1,193,822
Benefits		364,458	-	364,458
ODCs		575,688	-	575,688
Travel		83,499	-	83,499
Program Supplies		939,432	-	939,432
Indirect Costs		498,159	-	498,159
New Work 720BHA21GR00182 Subtotal		5,500,000	3,655,058	-
Labor	1,492,000 (Note 1)	285,484	-	285,484
Benefits		101,860	-	101,860
ODCs		137,487	-	137,487
Travel		29,689	-	29,689
Program Supplies		10,914	-	10,914
Indirect Costs		89,226	-	89,226
Add-on Work for 720BHA21GR00225 Subtotal	1,492,000	654,660	-	654,660
Labor	1,000,000 (Note 1)	201,920	-	201,920
Benefits		50,360	-	50,360
ODCs		83,337	-	83,337
Travel		3,693	-	3,693
Program Supplies		37,731	-	37,731
Indirect Costs (Note 2)		59,497	-	59,497
Add-on Work for 720BHA21GR00227 Subtotal	1,000,000	436,538	-	436,538

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred and Invoiced (\$ (b))	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Labor	8,000,000 <i>(Note 1)</i>	415,119	-	415,119
Benefits		219,511	-	219,511
ODCs		475,015	-	475,015
Travel		93,411	-	93,411
Program Supplies		-	-	-
Indirect Costs <i>(Note 2)</i>		189,842	-	189,842
<i>Add-on Work for 720BHA21GR00257 Subtotal</i>	8,000,000	1,392,898	-	1,392,898
Labor	1,000,000 <i>(Note 1)</i>	119,120	-	119,120
Benefits		26,576	-	26,576
ODCs		664,042	-	664,042
Travel		24,122	-	24,122
Program Supplies		28,805	-	28,805
Indirect Costs		136,128	-	136,128
<i>New Work 720BHA21GR00299 Subtotal</i>	1,000,000	998,793	-	998,793
Labor	3,000,000 <i>(Note 1)</i>	30,533	-	30,533
Benefits		12,854	-	12,854
ODCs		38,891	-	38,891
Travel		2,098	-	2,098
Program Supplies		7,111	-	7,111
Indirect Costs		14,437	-	14,437
<i>New Work 720BHA22GR00041 Subtotal</i>	3,000,000	105,924	-	105,924
Labor	3,400,000 <i>(Note 1)</i>	596,688	-	596,688
Benefits		103,672	-	103,672
ODCs		573,627	-	573,627
Travel		39,377	-	39,377
Subgrant		1,147,864	-	1,147,864
Program Supplies		470,452	-	470,452
Indirect Costs	285,398	-	285,398	
<i>New Work 720FDA20GR00046 Subtotal</i>	3,400,000	3,217,079	-	3,217,079
Labor	150,000 <i>(Note 1)</i>	24,154	-	24,154
Benefits		7,360	-	7,360
ODCs		302	-	302
Travel		9	-	9

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred and Invoiced (\$ (b))	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)	
Subgrant		110,571	-	110,571	
Program Supplies		-	-	-	
Indirect Costs (Note 2)		5,021	-	5,021	
Add-on Work for 720FDA20GR00068 Subtotal	150,000	147,417	-	147,417	
Labor	4,341,538 (Note 1)	509,175	-	509,175	
Benefits		260,323	-	260,323	
ODCs		635,216	-	635,216	
Travel		43,272	-	43,272	
Program Supplies		2,311,246	-	2,311,246	
Indirect Costs		592,832	-	592,832	
Award Limitations (Note 4)		(10,526)	-	(10,526)	
New Work 720FDA20GR00078 Subtotal		4,341,538	4,341,538	-	4,341,538
Labor		1,800,000 (Note 1)	58,156	-	58,156
Benefits	22,584		-	22,584	
ODCs	116,560		-	116,560	
Travel	9,765		-	9,765	
Subgrant	1,283,475		-	1,283,475	
Program Supplies	202,172		-	202,172	
Indirect Costs	76,401		-	76,401	
New Work 720FDA20GR00120 Subtotal	1,800,000	1,769,113	-	1,769,113	
Labor	2,000,000 (Note 1)	566,986	-	566,986	
Benefits		60,994	-	60,994	
ODCs		353,506	-	353,506	
Travel		8,115	-	8,115	
Subgrant		837,671	-	837,671	
Program Supplies		21,285	-	21,285	
Indirect Costs		167,373	-	167,373	
Award Limitations (Note 4)		(15,930)	-	(15,930)	
New Work 720FDA20GR00200 Subtotal	2,000,000	2,000,000	-	2,000,000	
Labor	2,000,000 (Note 1)	747,651	-	747,651	
Benefits		159,939	-	159,939	
ODCs		342,780	-	342,780	
Travel		20,940	-	20,940	

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred and Invoiced (\$ (b))	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Subgrant		-	-	-
Program Supplies		492,663	-	492,663
Indirect Costs		278,335	-	278,335
Award Limitations (Note 4)		(42,308)	-	(42,308)
<i>New Work 720FDA20GR00202 Subtotal</i>	2,000,000	2,000,000	-	2,000,000
Personnel and Benefits	1,220,148	439,942	-	439,942
Travel and Transport	212,342	-	-	-
ODCs	734,766	363,841	-	363,841
Indirect Costs		126,823	-	126,823
Award Limitations (Note 3)	272,744	(126,823)	-	(126,823)
Outside Funding Source (Note 5)		(53,783)	-	(53,783)
<i>Add-on Work for AID-OAA-G-15-00003 Subtotal</i>	2,440,000	750,000	-	750,000
<i>Subtotal Grant Assistance</i>	37,273,538	22,619,018	-	22,619,018
Cooperative Agreement Assistance				
Labor		277,020	-	277,020
Benefits		75,384	-	75,384
ODCs	1,025,000	475,878	-	475,878
Travel	(Note 1)	8,310	-	8,310
Program Supplies		56,859	-	56,859
Indirect Costs		140,969	-	140,969
Award Limitations (Note 4)		(9,420)	-	(9,420)
<i>New Work 720FDA20CA00050 Subtotal</i>	1,025,000	1,025,000	-	1,025,000
<i>Subtotal Cooperative Agreement Assistance</i>	1,025,000	1,025,000	-	1,025,000
Grand Total	38,298,538	23,644,018	-	23,644,018

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

Note 1: Budget is not documented to the cost element level. Therefore, Kearney summarized the budget by cost category identified by Kearney in the general ledger (GL).

Note 2: The applied indirect cost amount shown in this exhibit for all awards is based on the application of provisional indirect cost rates to the COVID-19-related costs in the bases as shown in the GL provided to us by the Recipient; therefore, the indirect costs will not reconcile to the SF-425s in the instances where the COVID-19 activities were add-on work to an award with other funding sources. See the [Limitations or Uncertainties with the Reliability or Validity of Evidence](#) Section for our full scope limitation.

Note 3: As noted in *Note 2* above, the amount reported as indirect costs incurred represents Kearney’s calculation of indirect costs claimed using provisional billing rates. For this award, that calculation aggregated with actual direct costs incurred causes the award to exceed obligated amounts specific to COVID-19 funding. However, Kearney noted that the overage was due to the applied indirect costs on the award. IRC tracks and reports its applied indirect costs at the overall award level and does not track the indirect costs per funding source, as noted in the scope limitation at [Limitations or Uncertainties with the Reliability or Validity of Evidence](#) section. Therefore, we show the excess of the total costs incurred that exceed the obligated amount as an award limitation adjustment in the exhibit.

Note 4: This amount represents the “Unclaimed NICRA Amount” as disclosed by IRC on its SF-425 plus Kearney’s calculation of the applied indirect costs that exceeded obligated amounts specific to COVID-19 funding.

Note 5: Kearney noted that IRC incurred costs over the obligated amount for COVID-19 funds. During our reconciliation process, IRC informed Kearney that it utilized funds outside of the COVID-19 funds to support COVID activities. There is no stipulation in the award that prevented IRC from using a different funding source to fund its COVID activities and IRC’s SF-425 is within budget for the award in totality; therefore, for reporting purposes, Kearney separated these costs from the other COVID-19-funded costs.

Exhibit B: Schedule of Indirect Cost Rates

Award Number	NICRA Effective Dates	Indirect Category* (a)	NICRA Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (\$)
720BHA21GR00042 (Note 1)	Final rates (effective for scope period of 03/01/2020 through 09/30/2020)	International Programs (b)	14.30	-	-
		International Audit (c)	0.12	-	-
		Grants Unit (d)	1.34	-	-
	Provisional rates (effective for scope period of 10/01/2020 through 03/31/2022)	International Programs (b)	14.29	140,478	20,074
		International Audit (c)	0.10	140,478	140
		Grants Unit (d)	1.39	140,478	1,953
720BHA21GR00182	Final rates (effective for scope period of 03/01/2020 through 09/30/2020)	International Programs (b)	14.30	-	-
		International Audit (c)	0.12	-	-
		Grants Unit (d)	1.34	-	-
	Provisional rates (effective for scope period of 10/01/2020 through 03/31/2022)	International Programs (b)	14.29	3,156,900	451,121
		International Audit (c)	0.10	3,156,900	3,157
		Grants Unit (d)	1.39	3,156,900	43,881
720BHA21GR00225 (Note 1)	Final rates (effective for scope period of 03/01/2020 through 09/30/2020)	International Programs (b)	14.30	-	-
		International Audit (c)	0.12	-	-
		Grants Unit (d)	1.34	-	-
	Provisional rates (effective for scope period of 10/01/2020 through 03/31/2022)	International Programs (b)	14.29	565,435	80,801
		International Audit (c)	0.10	565,435	565
		Grants Unit (d)	1.39	565,435	7,860
720BHA21GR00227 (Note 1)	Final rates (effective for scope period of 03/01/2020 through 09/30/2020)	International Programs (b)	14.30	-	-
		International Audit (c)	0.12	-	-
		Grants Unit (d)	1.34	-	-
	Provisional rates (effective for scope period of 10/01/2020 through 03/31/2022)	International Programs (b)	14.29	377,041	53,879
		International Audit (c)	0.10	377,041	377
		Grants Unit (d)	1.39	377,041	5,241
720BHA21GR00257 (Note 1)		International Programs (b)	14.30	-	-
		International Audit (c)	0.12	-	-

Award Number	NICRA Effective Dates	Indirect Category* (a)	NICRA Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (\$)
	Final rates (effective for scope period of 03/01/2020 through 09/30/2020)	Grants Unit (d)	1.34	-	-
		International Programs (b)	14.29	1,203,056	171,917
	Provisional rates (effective for scope period of 10/01/2020 through 03/31/2022)	International Audit (c)	0.10	1,203,056	1,203
		Grants Unit (d)	1.39	1,203,056	16,722
720BHA21GR00299	Final rates (effective for scope period of 03/01/2020 through 09/30/2020)	International Programs (b)	14.30	-	-
		International Audit (c)	0.12	-	-
		Grants Unit (d)	1.34	-	-
	Provisional rates (effective for scope period of 10/01/2020 through 03/31/2022)	International Programs (b)	14.29	862,664	123,275
		International Audit (c)	0.10	862,664	863
		Grants Unit (d)	1.39	862,664	11,990
720BHA22GR00041	Final rates (effective for scope period of 03/01/2020 through 09/30/2020)	International Programs (b)	14.30	-	-
		International Audit (c)	0.12	-	-
		Grants Unit (d)	1.34	-	-
	Provisional rates (effective for scope period of 10/01/2020 through 03/31/2022)	International Programs (b)	14.29	91,487	13,074
		International Audit (c)	0.10	91,487	91
		Grants Unit (d)	1.39	91,487	1,272
720FDA20GR00046	Final rates (effective for scope period of 03/01/2020 through 09/30/2020)	International Programs (b)	14.30	727,824	104,079
		International Audit (c)	0.12	727,824	873
		Grants Unit (d)	1.34	727,824	9,753
	Provisional rates (effective for scope period of 10/01/2020 through 03/31/2022)	International Programs (b)	14.29	1,081,704	154,575
		International Audit (c)	0.10	1,081,704	1,082
		Grants Unit (d)	1.39	1,081,704	15,036
720FDA20GR00068 (Note 1)	Final rates (effective for scope period of 03/01/2020 through 09/30/2020)	International Programs (b)	14.30	5,468	782
		International Audit (c)	0.12	5,468	7
		Grants Unit (d)	1.34	5,468	73
	Provisional rates (effective for scope period of	International Programs (b)	14.29	26,356	3,766
		International Audit (c)	0.10	26,356	26

Award Number	NICRA Effective Dates	Indirect Category* (a)	NICRA Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (\$)
	10/01/2020 through 03/31/2022)	Grants Unit (d)	1.39	26,356	367
720FDA20GR00078	Final rates - (effective for scope period of 3/1/2020 through 9/30/2020)	International Programs (b)	14.30	965,509	138,068
		International Audit (c)	0.12	965,509	1,159
		Grants Unit (d)	1.34	965,509	12,938
	Provisional rates (effective for scope period of 10/1/2020 through 3/31/2022)	International Programs (b)	14.29	2,792,571	399,058
		International Audit (c)	0.10	2,792,571	2,793
		Grants Unit (d)	1.39	2,792,571	38,816
720FDA20GR00120	Final rates (effective for scope period of 03/01/2020 through 09/30/2020)	International Programs (b)	14.30	60,407	8,638
		International Audit (c)	0.12	60,407	72
		Grants Unit (d)	1.34	60,407	809
	Provisional rates (effective for scope period of 10/01/2020 through 03/31/2022)	International Programs (b)	14.29	423,830	60,566
		International Audit (c)	0.10	423,830	425
		Grants Unit (d)	1.39	423,830	5,891
720FDA20GR00200	Final rates (effective for scope period of 03/01/2020 through 09/30/2020)	International Programs (b)	14.30	96,058	13,736
		International Audit (c)	0.12	96,058	115
		Grants Unit (d)	1.34	96,058	1,287
	Provisional rates (effective for scope period of 10/01/2020 through 03/31/2022)	International Programs (b)	14.29	964,728	137,860
		International Audit (c)	0.10	964,728	965
		Grants Unit (d)	1.39	964,728	13,410
720FDA20GR00202	Final rates (effective for scope period of 03/01/2020 through 09/30/2020)	International Programs (b)	14.30	306,999	43,901
		International Audit (c)	0.12	306,999	368
		Grants Unit (d)	1.34	306,999	4,114
	Provisional rates (effective for scope period of 10/01/2020 through 03/31/2022)	International Programs (b)	14.29	1,457,235	208,239
		International Audit (c)	0.10	1,457,235	1,457
		Grants Unit (d)	1.39	1,457,235	20,256
AID-OAA-G-15-00003 (Note 1)	Final rates (effective for scope period of 03/01/2020 through 09/30/2020)	International Programs (b)	14.30	71,192	10,180
		International Audit (c)	0.12	71,192	85
		Grants Unit (d)	1.34	71,192	954

Award Number	NICRA Effective Dates	Indirect Category* (a)	NICRA Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (\$)
	Provisional rates (effective for scope period of 10/01/2020 through 03/31/2022)	International Programs (b)	14.29	732,592	104,687
		International Audit (c)	0.10	732,592	733
		Grants Unit (d)	1.39	732,592	10,184
720FDA20CA00050	Final rates (effective for scope period of 03/01/2020 through 09/30/2020)	International Programs (b)	14.30	87,439	12,504
		International Audit (c)	0.12	87,439	105
		Grants Unit (d)	1.34	87,439	1,172
	Provisional rates (effective for scope period of 10/01/2020 through 03/31/2022)	International Programs (b)	14.29	806,011	115,179
		International Audit (c)	0.10	806,011	806
		Grants Unit (d)	1.39	806,011	11,203

*Kearney excluded the Fringe Benefits and United States Programs rates, as they are not applicable to the USAID awards

- a) IRC’s NICRA displays five rates – Fringe Benefits, International Programs, United States Programs, International Audit, and Grants Unit rates. As only three of the rates are applicable to the USAID awards (International Programs, International Audit, and Grants Unit), Kearney only displayed the applicable rates. However, IRC’s SF-425 for each in-scope award combines the three applicable rates (International Programs, International Audit, and Grants Unit) into one rate, which is the sum of the three provisional rates as per the NICRA. Although worded differently, the bases of the three rates are inherently the same as it pertains to the in-scope awards, and thus we found no monetary variances within the SF-425 presentation
- b) The base for the International Programs is total program service expenditures less capital expenditures, donated goods and services, contributions in-kind, subgrants in excess of \$25,000, United States Government legislated entitlement payments
- c) The base for the International Audit is total program service expenditures of Federal Funds less capital expenditures, donated goods and services, contributions in-kind, subgrants in excess of \$25,000, and United States Government entitlement payment. This rate is issued to recover all internal audit expenses directly related to the 2 Code of Federal Regulations (CFR) 200 single audit requirements
- d) The base for the International Audit is total program service expenditures of Federal Funds less capital expenditures, donated goods and services, contributions in-kind, subgrants in excess of \$25,000, and United States Government entitlement payments. This rate is issued to recover all United States Government compliance function expenses directly related to 2 CFR 200, excluding single audit requirements, Federal Acquisition Regulations and all other applicable requirements.

Note 1: The applied indirect cost 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 GL 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 Rescue Committee’s (also referred to as “IRC” and “Recipient”) multiple awards for the period March 1, 2020, to March 31, 2022

Award	United States Agency for International Development (USAID) Obligated Amount (\$)	Total Auditable Costs (\$)
720BHA21GR00042	1,150,000	1,150,000
720BHA21GR00182	5,500,000	3,655,058
720BHA21GR00225	899,969	654,660
720BHA21GR00227	700,000	436,538
720BHA21GR00257	2,613,976	1,392,898
720BHA21GR00299	1,000,000	998,793
720BHA22GR00041	3,000,000	105,924
720FDA20CA00050	1,025,000	1,025,000
720FDA20GR00046	3,400,000	3,217,079
720FDA20GR00068	150,000	147,417
720FDA20GR00078	4,341,538	4,341,538
720FDA20GR00120	1,800,000	1,769,113
720FDA20GR00200	2,000,000	2,000,000
720FDA20GR00202	2,000,000	2,000,000
AID-OAA-G-15-00003	750,000	750,000

- 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 virtually from July 10, 2023 to January 12, 2024 and covered the period from March 1, 2020 to March 31, 2022. In addition, the following IRC overseas locations had transactions that were included in our samples: Sudan, South Sudan, Libya, Democratic Republic of the Congo, Cameroon, Burkina Faso, Mali, Niger, Syria, Afghanistan, Chad, Ethiopia, Bangladesh, and Burma.

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.

(Kearney) 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 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 (GL)
- 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 IRC'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 – MANAGEMENT’S VIEWS ON CONCLUSIONS AND FINDINGS

International Rescue Committee provided the following response:

“Finding #1: Environmental Information Not Included in Annual and Final Reports

The IRC disagrees with this finding. In its program reports, the IRC reported on environmental issues as required by the award conditions. As highlighted to Kearney during the audit process, the program reports in question included specific information about community sensitizations on sanitation and water treatment, analysis of how program activities promoted sustainability, and explanation of how program activities improved target households' resilience against future disasters. This constitutes compliance with environmental reporting requirements for the activities supported in the award, which consisted of mobile phone cash transfers and community sensitizations on hygiene and sanitation.”

**APPENDIX C – KEARNEY & COMPANY, P.C.’S (KEARNEY) EVALUATION OF
MANAGEMENT’S COMMENTS**

The following is Kearney’s response to the comments that the International Rescue Committee (IRC) provided in regard to our *Incurring Cost Audit over International Rescue Committee (IRC)’s Coronavirus Disease 2019 (COVID-19)-Related Activities for the Period of March 1, 2020 to March 31, 2022*, presented in [Appendix B](#).

Kearney’s Response:

Kearney notes that the Annual and Final reports for award 720BHA21GR00299 did contain mention of information about community sensitizations on sanitation and water treatment, analysis of how program activities promoted sustainability, and explanation of how program activities improved target households' resilience against future disasters. However, IRC did not include key information required by its Award 720BHA21GR00299; Section 1.5, Reporting, Monitoring, and Evaluation (c)(8), *Environmental Compliance Reporting – COVID IEE*. Specifically:

- Kearney obtained the 2021 Annual Report for award 720BHA21GR00299 and attempted to crosswalk the details within the report to the environmental compliance reporting requirements. We followed up with IRC to determine where the specific environmental information was addressed and IRC responded that the efforts were still ongoing. Per IRC, it did not describe how the environmental or climate issues were addressed and the positive outcomes for the environment, climate sustainability, or better future resilience against complex and natural disasters in its annual report, as this information would be included in the final report. Additionally, while IRC mentioned community sensitizations, no detail was provided regarding the impact that these sensitizations had to the environment. We acknowledge that additional information was included in the Final Report; however, we concluded that key environment information was missing from the Annual Report
- Kearney obtained the 2022 Final Report for award 720BHA21GR00299 and determined that IRC highlighted where they included the environmental information. However, Kearney determined it to be insufficient as IRC only discussed what work was performed, i.e. what communities were trained and how cash was distributed, instead how IRC’s efforts impacted the environment on key information, such as how IRC’s efforts protected the environment, managed risk, and what environmental guidance/policies were used.


As key information was not included in the Annual and Final Report for award 720BHA21GR00299, Kearney’s finding stands.

APPENDIX D – 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: April 24, 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 Rescue Committee (IRC) from March 1, 2020, to March 31, 2022" (3-000-24-013-U) prepared by Kearney & Company P.C. (Kearney) on behalf of the Office of the USAID Inspector General (OIG) on April 8, 2024

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 IRC for Coronavirus Disease 2019 (COVID-19) activities for the period of March 1, 2020, to March 31, 2022.

USAID acknowledges that Kearney identified one finding indicating that one selected annual report and one selected final report did not contain the environmental information required by the award. For all remaining objectives, Kearney concluded that IRC complied with the standards set by their awards, that costs incurred were allowable, allocable, and reasonable, and that IRC's controls were designed and operating effectively.

Provided below are USAID's comments regarding both this audit finding and the audit Limitations or 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 RESCUE COMMITTEE (IRC) FROM MARCH 1, 2020, TO MARCH 31, 2022" (3-000-24-013-U) PREPARED BY KEARNEY & COMPANY P.C. (KEARNEY) ON BEHALF OF THE OFFICE OF THE USAID INSPECTOR GENERAL (OIG) ON APRIL 8, 2024

Recommendation 1: Require IRC to develop and implement procedures to include complete environmental information in its program reports or obtain Agency approval to exempt recipients from the reporting requirements.

Management Comments: USAID agrees with this recommendation. Kearney sampled one Annual Report and sampled one Final Report. These reports did not contain the environmental information required by the award. Specifically, the 2021 Annual Report for award 720BHA21GR00299 did not describe how the environmental or climate issues were addressed and the positive outcomes for the environment, climate sustainability, or better future resilience against complex and natural disasters, as required by the award. Additionally, the 2022 Final Report for award 720BHA21GR00299 did not sufficiently describe how IRC ensured that the environment is protected; how it managed the risks to the environment; what environmental guidance/policies they used; and/or what the specific positive outcomes to the environment, climate sustainability, or better future resilience against complex and natural disasters, as required by the award.

USAID will require IRC to develop and implement procedures to include complete environmental information in its program reports. USAID will also ensure that IRC obtains Agency approval from the award Agreements Officer (AO) to exempt the organization from providing environmental information if IRC is unable to comply with the award terms and conditions.

- **Target Completion Date:** M/OAA has taken steps to complete this action with a final completion date anticipated to be 60 business days after the issuance of USAID's Management Comments.

Audit Limitations or Uncertainties with the Reliability or Validity of Evidence

Kearney was unable to validate the completeness of the substantive testing population and relied on IRC to provide to Kearney a transactional listing of auditable costs incurred, as it pertains to the following awards in the scope of Kearney's audit:

- 720BHA21GR00042
- 720BHA21GR00225

- 720FDA20GR00068
- AID-OAA-G-15-00003
- 720BHA21GR00227
- 720BHA21GR00257

Kearney is unable to verify the accuracy and completeness of this testing population due to a lack of a reconciliation source because 1) the COVID-19-funded activities within the in-scope awards listed above were the result of modifications to add COVID-19 funds and the award terms did not require IRC to report costs incurred at the fund level, and 2) the period of performance of a portion of the in-scope awards listed above were ongoing as of the end of Kearney's audit period end of March 31, 2022. Kearney verified that all costs incurred as provided by IRC were below the COVID-19 obligated amount by award in all material respects; however, the difference between the obligated amount and auditable costs incurred may be reasonably explained by the scope period. Thus, Kearney asserts that there remains an unmitigated risk that the population of costs incurred under COVID-19 activities as provided by IRC is not complete and unallowable costs may exist that would not have been detected by Kearney's audit.

Additionally, Kearney was unable to isolate applied indirect costs on the awards listed above that are funded through modifications or were new awards with multiple funding sources. These awards include multiple funding sources, only one of which is COVID-19 funds; therefore, Kearney was unable to reconcile the transactional detail to the applicable Standard Form (SF)-425 or invoice and was unable to quantify total applied indirect costs. Kearney evaluated the methodology of the applied indirect costs to the award based on the SF-425s or invoice and the Negotiated Indirect Cost Rate Agreement (NICRA).

Management Comments: As noted above, Kearney was unable to validate the completeness of the referenced testing population due to a lack of a reconciliation source as described above and relied on IRC to provide Kearney with a transactional listing of auditable costs incurred. USAID recognizes this as an audit limitation and looks forward to receiving the OIG's forthcoming recommendations to resolve this concern.

Additionally, although Kearney verified that all costs incurred as provided by IRC were below the COVID-19 obligated amount by award, Kearney stated that the difference between the obligated amount and auditable costs incurred may be reasonably explained by the scope period. Thus, Kearney claims that there remains an unmitigated risk that the population of costs incurred under COVID-19 activities as provided by IRC is not complete and unallowable costs may exist that would not have been detected by the firm's audit. While USAID understands that there may be a chance that questioned costs could exist under these contracts due to the audit scope period, the overall audit risk is low. As evidence of this, USAID must highlight that Kearney did not identify any questioned costs in the total "auditable costs incurred" under any of the IRC awards selected for the audit scope period.

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

USAID looks forward to working with the OIG to close this audit finding and looks forward to receiving the OIG's forthcoming recommendations to resolve the cited audit scope limitations.

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 Rescue Committee (IRC) from March 1, 2020, to March 31, 2022" (3-000-24-013-U) Prepared by Kearney & Company P.S. (Kearney) on behalf of the Office of the USAID Inspector General (OIG) on April 8, 2024

Approved: M/OAA: JRodgers 4/24/2024

Clearances:

Bureau/IO/Mission	Clearance Status	Date
M/OAA/ACTS: DBroderick	Clear	04/24/2024
M/OAA/CAS: SSnyder	Clear	04/19/2024
GC/A&A: GMarchand	Clear	04/24/2024

Drafter: M/OAA/CAS