

OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

COVID-19: Audit of Costs Incurred by Jhpiego Corporation from March 1, 2020, to March 31, 2022

Audit Report 3-000-24-003-U

June 13, 2024



Office of Audits, Inspections, and Evaluations



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: June 13, 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 Jhpiego Corporation from March 1, 2020,
to March 31, 2022

Enclosed is the final report on the audit of claimed costs incurred by Jhpiego Corporation (Jhpiego) 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 Jhpiego's claimed costs incurred.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 Jhpiego 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).
2. Identify as unsupported, unreasonable, or ineligible, any questioned auditable costs incurred with implementing USAID's activities for the period audited in conformity with

¹ 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.

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.

the terms of the regulatory and award requirements and GAAP.

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

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

Kearney concluded that the audit objective related to internal controls (objective 4) was not met and had one reportable finding. Specifically, Kearney found that Jhpiego did not develop its policies and procedures to a level of detail to include the approval requirements associated with its access revocation process, new hire orientation checklist, initial salary determinations, international travel, travel expense report, invoices, and financial reports. In all other regards, Kearney concluded that FHI-360 complied with the standards set by their awards; that costs incurred were allowable, allocable, and reasonable; and that FHI-360'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 Jhpiego to distinguish COVID-19 funds from non-COVID-19 funds in expenditure reports and invoices. As a result, even in cases where Jhpiego 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 Jhpiego 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 identified this as a systemic issue pertaining to USAID award terms and thus communicated to us under separate cover for appropriate action with responsible parties. As a result, we are not making recommendations to address this weakness at this time.

To address the other internal control weakness identified in Kearney's report, we recommend that USAID's Director, Office of Acquisition & Assistance:

Recommendation I. Ensure that Jhpiego documents key processes and controls in its company policies and procedures to include the approval requirements associated with its access revocation process, new hire orientation checklist, initial salary determinations, international travel, travel expense report, invoices, and financial reports.

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.



Deliverable of the Performance Audit Report for the Incurred Cost Audit over Jhpiego Corporation's (Jhpiego) Coronavirus Disease 2019 (COVID-19) Related Activities for the Period of March 01, 2020 to March 31, 2022

Contract Number: 72001G22C00007

May 24, 2024

**KEARNEY &
COMPANY**

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

May 24, 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 Jhpiego Corporation (Jhpiego) 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
Jhpiego Corporation (Jhpiego) Coronavirus Disease 2019
(COVID-19) Related Activities for the Period of March 1, 2020
to March 31, 2022***

December 1, 2023

**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 Jhpiego Corporation (also referred to as “Jhpiego” 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](#) of this report for the scope and methodology of the performance audit.

BACKGROUND

About Jhpiego

Jhpiego is a subsidiary of Johns Hopkins University (JHU), and all United States-based Jhpiego employees are JHU employees. As a subsidiary, Jhpiego adheres to the policies and procedures set forth by JHU. In addition, JHU has oversight for all central financial functions and manages the processing of Accounts Payable (AP), Accounts Receivable (AR), and Payroll for United States-based employees. JHU is also responsible for preparing the award proposals and managing awards granted to Jhpiego.

Jhpiego is a global nonprofit organization that focuses on improving medical systems and increasing the quality of life for residents of foreign countries including Tanzania, Malawi, Guinea, Lesotho, Liberia, India, and South Sudan. They have many projects designed to combat Malaria, HIV, and COVID-19. Jhpiego works with country partners to address COVID-19. At the onset of the COVID-19 pandemic, Jhpiego provided training to health workers to help care for sick patients. They are currently working in low-income countries to support vaccine rollout plans. ([About - Jhpiego, https://www.jhpiego.org/countries-we-support/](https://www.jhpiego.org/countries-we-support/), <https://www.jhpiego.org/our-expertise/covid-19-emerging-diseases/>)

In fiscal year (FY) 2022, Jhpiego helped give out 6.8 million first doses of an approved COVID-19 vaccine. USAID provided 43% of the total funding of \$360 million, with other funds coming from other governmental run agencies including the Center for Disease Control and Prevention. (<https://www.jhpiego.org/2022-annual-report/>)

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

1. Jhpiego does not document the following processes and key internal controls in its company policies and procedures:
 - a. When an employee is terminated, Human Resources will notify the Accounts Manager team by submitting a ticket via the JIRA system and an immediate revocation of the user's systems access is performed
 - b. The orientation checklist is manually filled out during the new hire training by an employee to list and track the training and date completed, which is signed by the employee and the supervisor
 - c. The Chief Human Resources and Administrative Officer (CHRAO) has final approval on compensation for any new salaries
 - d. For international travel, pre-travel approval is required by the employee's supervisor and by the Finance Team
 - e. A travel expense report must be submitted and approved by the traveler's supervisor, the Budget Holder, and the Finance and Accounting Teams after travel is completed
 - f. The Finance Team approves invoices and associated attached documents
 - g. On a quarterly basis the Manager Sponsored Projects Shared Services approves the Financial Reports that are submitted to the applicable government agency.

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 Generally Accepted Accounting Principles (GAAP) or other comprehensive basis of accounting	Met	Not Applicable (N/A)
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	Not Met	Finding #1
The Recipient complied in all material respects with regulatory and award requirements related to USAID-funded programs and projects	Met	N/A
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.	N/A	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 all awards in the scope of our audit. Kearney is unable to verify the accuracy and completeness of this testing population due to a lack of a reconciliation source, as 1) all of the COVID-19-funded activities in scope 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 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; 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 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: Controls Not Included in Policies (Significant Deficiency)

Condition: Jhpiego does not document the following processes and key internal controls in its company policies and procedures:

- When an employee is terminated, Human Resources will notify the Accounts Manager team by submitting a ticket via the JIRA system and an immediate revocation of the user's systems access is performed
- The orientation checklist is manually filled out during the new hire training by an employee to list and track the training and date completed, which is signed by the employee and the supervisor
- The Chief Human Resources and Administrative Officer (CHRAO) has final approval on compensation for any new salaries
- For international travel, pre-travel approval is required by the employee's supervisor and by the Finance Team
- A travel expense report must be submitted and approved by the traveler's supervisor, the Budget Holder, and the Finance and Accounting Teams after travel is completed
- The Finance Team approves invoices and associated attached documents
- On a quarterly basis the Manager Sponsored Projects Shared Services approves the Financial Reports that are submitted to the applicable government agency.

Criteria: Per the Code of Federal Regulations (CFR) Section 200.303, *Internal controls*:

“The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

The Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control – Integrated Framework Principle 12: Deploys through Policies and Procedures, states:

“The organization deploys control activities through policies that establish what is expected and procedures that put policies into action. Management establishes control activities that are built into business processes and employees' day-to-day activities through policies establishing what is expected and relevant procedures specifying actions. Management periodically reviews control activities to determine their continued relevance, and refreshes them when necessary.”

Cause: Jhpiego did not develop its policies and procedures to a level of detail to include the approval requirements associated with its access revocation process, new hire orientation checklist, initial salary determinations, international travel, travel expense report, invoices, and financial reports.

Effect: If management does not document all procedures and approvals in its policies, there is an increased risk that properly implemented safeguards could stop functioning as designed or improperly designed controls could go undetected.

Recommendation: Kearney & Company, P.C. (Kearney) recommends that Jhpiego documents its key processes and controls in its company policies and procedures including the title of the personnel involved in the approval and the system/document in which it is approved.

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) (\$)
Personnel	2,257,021	750,557	-	750,557
Fringe Benefits	268,861	122,688	-	122,688
Travel	600,630	135,363	-	135,363
Supplies	104,338	-	-	-
Contractual	7,272,758	781,371	-	781,371
Equipment	2,772,162	7,115	-	7,115
Other Direct Costs	(Note 1)	1,068,397	-	1,068,397
Indirect Costs (Note 2)	1,124,230	361,591	-	361,591
Add on Work for 72038620CA00001 Subtotal	14,400,000	3,227,082	-	3,227,082
Labor	23,774,449	66,541	-	66,541
Travel	(Note 1)	7,705	-	7,705
Sub-awards	56,291,717	-	-	-
Equipment	12,863,509	85	-	85
Other Direct Costs	(Note 1)	65,471	-	65,471
Indirect Costs (Note 2)	7,070,325	23,752	-	23,752
Add on Work for 7200AA20CA00002 Subtotal	100,000,000	163,554	-	163,554
Labor	119,129,291 (Note 1)	508,106	-	508,106
Fringe		168,559	-	168,559
Travel		334,601	-	334,601
Equipment		(416)	-	(416)
Other Direct Costs		402,933	-	402,933
Indirect Costs (Note 2)	15,873,709	240,414	-	240,414
Add on Work for 7200AA19CA00003 Subtotal	135,003,000	1,654,197	-	1,654,197

Major Cost Category by Award	Budgeted (\$) (a)	Actual Costs Incurred and Invoiced (\$) (b)	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Personnel	10,070,156	156	-	156
Fringe	(Note 1)	36	-	36
Travel	3,743,905	184,967	-	184,967
Equipment	8,030,332	-	-	-
Materials and Supplies	630,377	-	-	-
Contractual	3,453,107	-	-	-
Other Direct Costs	12,723,716	327,925	-	327,925
Indirect Costs (Note 2)	11,822,088	87,278	-	87,278
Contract Limitation Adjustment (Note 3)	(Note 1)	(362)	-	(3626)
Add on Work for AID-621-A-16-00003 Subtotal	50,473,681	600,000	-	600,000
Labor	7,024,793 (Note 1)	123,896	-	123,896
Fringe		73,755	-	73,755
Travel		8,913	-	8,913
Subaward		42,000	-	42,000
Other Direct Costs		254,814	-	254,814
Indirect Costs (Note 2)	1,475,207	102,139	-	102,139
Add on Work for AID-668-A-15-00001 Subtotal	8,500,000	605,517	-	605,517
Labor	15,301,032 (Note 1)	204,193	-	204,193
Fringe		87,959	-	87,959
Travel		4,967	-	4,967
Other Direct Costs		11,509	-	11,509
Indirect Costs (Note 2)	1,698,968	52,467	-	52,467
Contract Limitation Adjustment (Note 3)	(Note 1)	(33,764)	-	(33,764)
Add on Work for 72061220CA00001 Subtotal	17,000,000	327,331	-	327,331

Major Cost Category by Award	Budgeted (\$) (a)	Actual Costs Incurred and Invoiced (\$) (b)	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Labor	1,735,776 <i>(Note 1)</i>	88,589	-	88,589
Fringe		26,582	-	26,582
Travel		396,156	-	396,156
Other Direct Costs		92,321	-	92,321
Indirect Costs <i>(Note 2)</i>	274,280	102,620	-	102,620
<i>Add on Work for AID-675-A-16-00001 Subtotal</i>	2,010,056	706,268	-	706,268
<i>Subtotal Cooperative Agreement</i>	327,386,737	7,283,948	-	7,283,948
Labor	4,886,090	52	-	52
Fringe Benefits	1,557,568	21	-	21
Travel	783,347	6,075	-	6,075
Equipment	981,656	-	-	-
Other Direct Costs	3,066,786	5,764	-	5,764
Indirect Costs <i>(Note 2)</i>	1,946,777	2,025	-	2,025
<i>Add on Work for 72067421C00001 Subtotal</i>	13,222,224	13,937	-	13,937
Equipment	8,861,356	100	-	100
Travel	<i>(Note 1)</i>	128,206	-	128,206
Other Direct Costs	5,450,089	299,219	-	299,219
Subcontracts	3,069,970	-	-	-
Indirect Costs <i>(Note 2)</i>	2,172,231	72,662	-	72,662
<i>Add on Work for 72066920C00002 Subtotal</i>	19,553,646	500,187	-	500,187
<i>Subtotal CPF</i>	32,775,870	514,124	-	514,124
Grand Total	360,162,607	7,798,073	-	7,798,073

a) This column was compiled based on the internal budgets utilized by Jhpiego Corporation (Jhpiego) and on the budget displayed in the specific award agreements. Jhpiego does not keep detailed budgets at the cost element level for its COVID-19 funded projects; therefore, we utilized the overall award detailed budgets

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 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. See the [Limitations or Uncertainties with the Reliability or Validity of Evidence](#) section for our full scope limitation.

Note 3: As noted in *Note 1* 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. Jhpiego 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 a contract limitation adjustment in the exhibit.

Exhibit B: Schedule of Indirect Cost Rates

Award Number	NICRA Effective Dates	Indirect Category (a)	NICRA Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (\$) (Note 2)
72038620CA00001	Predetermined rates - 3/1/2020 (effective for scope period of 3/1/2020 through 3/31/2022)	Off Campus Other Spon Activities	17.00	2,127,005	361,591
7200AA20CA00002		Off Campus Other Spon Activities	17.00	139,717	23,752
72067421C00001		Off Campus Other Spon Activities	17.00	11,912	2,025
72066920C00002		Off Campus Other Spon Activities	17.00	427,425	72,662
7200AA19CA00003		Off Campus Other Spon Activities	17.00	1,414,199	240,414
AID-621-A-16-00003		Off Campus Other Spon Activities	17.00	513,398	87,278
72061220CA00001		Off Campus Other Spon Activities	17.00	308,628	52,467
AID-675-A-16-00001		Off Campus Other Spon Activities	17.00	603,648	102,620
AID-668-A-15-00001	Provisional rates - 3/1/2020 (effective for scope period of 3/1/2020 through 3/31/2022)	Off Campus Other Spon Activities	21.00 (Note 1)	486,378	102,139

a) The indirect cost base for the Off Campus Other Spon Activities is modified total direct costs, consisting of all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award). Modified total direct costs shall exclude equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

Note 1: Jhpiego utilized the provisional rate included in award AID-668-A-15-00001, instead of the NICRA rate, to determine its applied indirect costs.

Note 2: The applied indirect cost amount shown in this exhibit for all awards is based on the application of provisional or predetermined 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 Jhpiego Corporation’s (also referred to as “Jhpiego” 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 (\$)
72038620CA00001	17,000,000	3,227,082
7200AA20CA00002	6,000,000	163,554
7200AA19CA00003	57,096,950	1,654,197
AID-621-A-16-00003	600,000	600,000
AID-668-A-15-00001	650,000	605,517
72061220CA00001	327,331	327,331
AID-675-A-16-00001	1,300,000	706,268
72067421C00001	1,676,200	13,937
72066920C00002	1,100,000	500,187

- 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 April 13, 2023 to December 1, 2023 and covered the period from March 1, 2020 to March 31, 2022. In addition, the following Jhpiego overseas locations had transactions that were included in our samples: Tanzania, Malawi, Guinea, Kenya, Lesotho, Liberia, India, and South Sudan.

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. This also entails 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 (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 if it 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 Jhpiego'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

Jhpiego Corporation provided the following response to Finding #1:

“Jhpiego acknowledges the finding related to documentation of key internal control processes. While Jhpiego has the required controls in place, some of processes are not documented. We will review and update our procedures and process documents to include the recommendations made in this report.”

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

The following is Kearney’s response to the comments that the Jhpiego Corporation (Jhpiego) provided in regard to our *Incurred Cost Audit over Jhpiego Corporation’s (Jhpiego) 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:

As Jhpiego agreed with Kearney’s finding, no further response is required.


Also, USAID management provided a communication related to the finding, which is included in [Appendix D](#).

APPENDIX D – USAID MANAGEMENT COMMENTS

At the request of the USAID OIG, a communication from USAID management regarding the limitations of the audit as well as the audit finding 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: May 20, 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 Jhpiego Corporation from March 1, 2020, to March 31, 2022” (3-000-24-003-U) prepared by Kearney & Company P.C. (Kearney) on behalf of the Office of the USAID Inspector General (OIG) on April 29, 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 Jhpiego Corporation (Jhpiego) 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 related to Jhpiego’s lack of internal controls in its policies and procedures. Further, except for the limitations discussed in the Limitations or Uncertainties with the Reliability or Validity of Evidence section of the report, Kearney concluded that all other applicable performance audit objectives were met.

Provided below are USAID’s comments regarding this audit finding and comments regarding Kearney’s 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 JHPIEGO CORPORATION FROM MARCH 1, 2020, TO MARCH 31, 2022" (3-000-24-003-U) PREPARED BY KEARNEY & COMPANY P.C. (KEARNEY) ON BEHALF OF THE OFFICE OF THE USAID INSPECTOR GENERAL (OIG) ON APRIL 29, 2024

Finding #1: Controls Not Included in Policies (Significant Deficiency). Jhpiego does not document its internal controls in its policies and procedures to the level of detail required to adequately describe the approval requirements associated with the following functions:

- **Access Revocation Process.** When an employee is terminated, Human Resources will notify the Accounts Manager team by submitting a ticket via the JIRA system and an immediate revocation of the user's systems access is performed.
- **New Hire Orientation Checklist.** The orientation checklist is manually filled out during the new hire training by an employee to list and track the training and date completed, which is signed by the employee and the supervisor.
- **Initial Salary Determinations.** The Chief Human Resources and Administrative Officer (CHRAO) has final approval on compensation for any new salaries.
- **International Travel.** For international travel, pre-travel approval is required by the employee's supervisor and by the Finance Team.
- **Travel Expense Report.** A travel expense report must be submitted and approved by the traveler's supervisor, the Budget Holder, and the Finance and Accounting Teams after travel is completed.
- **Invoices.** The Finance Team approves invoices and associated attached documents.
- **Financial Reports.** On a quarterly basis the Manager Sponsored Projects Shared Services approves the Financial Reports that are submitted to the applicable government agency.

This finding demonstrates Jhpiego's noncompliance with the Code of Federal Regulations (CFR) Section 200.303, Internal controls which states:

"The Non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United

States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Additionally, the Committee of Sponsoring Organizations of the Treadway Commission’s (COSO) Internal Control – Integrated Framework Principle 12: Deploys through Policies and Procedures, states:

“The organization deploys control activities through policies that establish what is expected and procedures that put policies into action. Management establishes control activities that are built into business processes and employees’ day-to-day activities through policies establishing what is expected and relevant procedures specifying actions. Management periodically reviews control activities to determine their continued relevance, and refreshes them when necessary.”

Recommendation #1: Kearney recommends that Jhpiego documents its key processes and internal controls in its company policies and procedures including the title of the personnel involved in the approval and the system/document in which it is approved.

Management Comments: USAID agrees with this recommendation. Jhpiego does not properly document its internal processes which demonstrates inadequate controls regarding these key organizational functions. Due to the absence of written policies and procedures related to the functions described above, USAID agrees that there is an increased risk that the safeguards currently used by Jhpiego could stop functioning as designed or could lead to improper practices that may go undetected.

USAID will ensure that Jhpiego documents key processes and controls in its company policies and procedures to include the approval requirements associated with its access revocation process, new hire orientation checklist, initial salary determinations, international travel, travel expense report, invoices, and financial reports.

- **Target Completion Date:** USAID will engage with Jhpiego to ensure the organization documents its current processes related to the functions described above in accordance with Kearney’s recommendation. The final completion date is anticipated to be 90 business days after the issuance of the OIG’s final report.

Audit Limitations or Uncertainties with the Reliability or Validity of Evidence

Kearney is unable to validate the completeness of the substantive testing population and relied on Jhpiego to provide to Kearney a transactional listing of auditable costs incurred, as it pertains to all awards in the scope of the audit. Kearney is unable to verify the accuracy and completeness of this testing population due to a lack of a reconciliation source, as 1) all of the COVID-19-funded activities in scope were the result of modifications to add COVID-19 funds and the award terms did not require Jhpiego to report costs incurred at the fund level, and 2) the period of performance of a portion of the in-scope awards were ongoing as of the end of the

audit period end of March 31, 2022. Kearney verified that all costs incurred as provided by the Jhpiego were below the COVID-19 obligated amount by award; however, Kearney states that the difference between the obligated amount and auditable costs incurred may be reasonably explained by the scope period. Thus, Kearney asserts there remains an unmitigated risk that the population of costs incurred under COVID-19 activities as provided by Jhpiego is not complete and unallowable costs may exist that would not have been detected by the audit.

Additionally, Kearney is unable to isolate applied indirect costs on awards 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 is unable to reconcile the transactional detail to the applicable Standard Form (SF)-425 or invoice and is unable to quantify the 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 NICRA.

Management Comments: As noted above, Kearney is unable to validate the completeness of all awards evaluated under this audit scope due to a lack of a reconciliation source as described above and relied on Jhpiego 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 Jhpiego 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 claimed that there remains an unmitigated risk that the population of costs incurred under COVID-19 activities as provided by Jhpiego 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.

- **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 not take any action until it receives the OIG's recommendations.

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 Jhpiego Corporation from March 1, 2020, to March 31, 2022" (3-000-24-003-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 5/20/2024

Clearances:

Bureau/IO/Mission	Clearance Status	Date
M/OAA/ACTS: DBroderick	Clear	05/20/2024
M/OAA/CAS: SSnyder	Clear	05/15/2024
GC/A&A: GMarchand	Clear	05/20/2024

Drafter: M/OAA/CAS, stsnyder@usaid.gov