

OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

COVID-19: Audit of Costs Incurred By FHI-360 from March 1, 2020, to March 31, 2022

Audit Report 3-000-24-004-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 FHI-360 from March 1, 2020, to March 31, 2022

Enclosed is the final report on the audit of claimed costs incurred by FHI-360 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 claimed costs incurred by FHI-360.² 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 FHI-360 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 FHI-360's contract bidding and procurement processes to determine whether it complied with regulatory and award requirements.
4. Evaluate and obtain sufficient understanding of FHI-360's internal controls, assess control risks, and identify reportable conditions, including material internal control weaknesses.
5. Perform tests to determine whether FHI-360 complied in all material respects with regulatory and award requirements related to USAID-funded programs and projects.
6. Determine the extent to which FHI-360 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 FHI-360 requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements.
8. Determine whether FHI-360 has taken corrective actions on prior audit report recommendations.

To answer the audit objectives, Kearney reviewed FHI-360's policies, directives, procedures, and internal controls; conducted interviews and walkthroughs; and reviewed agency actions to address any prior audit recommendations for FHI-360's incurred cost audits.

Kearney concluded that objective five was not met and had one reportable finding. Specifically, Kearney found that FHI bills a Compensated Personal Absence rate in its invoices that is not included in its Negotiated Indirect Cost Rate Agreement. 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 FHI-360 to distinguish COVID-19 funds from non-COVID-19 funds in expenditure reports and invoices. As a result, even in cases where FHI-360 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 FHI-360 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 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. Require FHI-360 to develop and implement procedures to include the Compensated Personal Absence rate in its supporting documentation and negotiations leading up to the execution of a Negotiated Indirect Cost Rate Agreement unless USAID provides written approval to bill the rate on applicable awards.

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 FHI 360's (FHI) Coronavirus Disease 2019
(COVID-19)-Related Activities for the Period of March 1, 2020
to March 31, 2022***

Contract Number: 72001G22C00007

May 2, 2024

**KEARNEY &
COMPANY**

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Kearney & Company, P.C.'s TIN is 54-1603527, UEID is UC4BPA3LC4J6, CAGE Code is 1SJJ4

May 2, 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 FHI 360 (FHI) 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
FHI 360's (FHI) Coronavirus Disease 2019 (COVID-19)-
Related Activities for the Period of March 1, 2020 to March
31, 2022***

November 20, 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 FHI 360 (also referred to as “FHI” 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 FHI

FHI is a nonprofit global health and development organization that conducts a worldwide diversified program of research, education, and services. It operates in a number of countries, including Jordan, Cambodia, Papua New Guinea, Malawi, Zimbabwe, Dominican Republic of the Congo, Mozambique, and Jamaica. FHI uses data-driven strategies and implementation expertise to develop solutions and has supported pandemic preparedness and response work in over 60 countries, with a focus on improving health interventions. To help prevent COVID-19, it supported COVID-19 vaccine readiness and rollout, developed learning and sharing platforms, implemented risk communication, and participated in community engagement.

(<https://www.fhi360.org/>, <https://www.fhi360.org/covid-19>)

In 2022, FHI had a total revenue of \$885 million, which includes revenue from the United States Government, such as USAID. FHI employs a staff of over 4,000 in more than 60 countries with headquarters in Durham, NC, and corporate offices in Washington, D.C.; Bangkok, Thailand; London, England; and Pretoria, South Africa. (<https://www.fhi360.org/>, <https://www.fhi360.org/about-us/impact-and-financial-reports>)

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. FHI bills an additional indirect cost rate in its invoices that is not included in its Negotiated Indirect Cost Rate Agreement (NICRA). Specifically, for awards AID-612-C-16-00005, AID-695-C-17-00001, and AID-OAA-C-15-00001, FHI bills costs were associated with a Compensated Personal Absence (CPA) rate, which is not listed on the NICRA. In accordance with the NICRA, these costs would otherwise be included in the Fringe rate. FHI did not provide supporting documentation that the use of this rate was required by Federal statute or regulation, or that USAID approved the use of a rate not included on its NICRA.

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	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	Met	N/A

Objective	Objective Met/Not Met	Related Finding Reference
of accounting (including the cash receipts and disbursements basis and modifications of the cash basis)		
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.	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: CPA Rate Utilized not Included in NICRA (Non-Compliance; Significant Deficiency)

Condition: FHI bills an additional indirect cost rate in its invoices that is not included in its NICRA. Specifically, for awards AID-612-C-16-00005, AID-695-C-17-00001, and AID-OAA-C-15-00001, FHI bills costs associated with a Compensated Personal Absence (CPA) rate, which is not listed on the NICRA. In accordance with the NICRA, these costs would otherwise be included in the Fringe rate. FHI did not provide supporting documentation that the use of this rate was required by Federal statute or regulation, or that USAID approved the use of a rate not included on its NICRA.

Criteria: Per Title 2 Code of Federal Regulations (CFR) Section 200.414(c)(1), *Indirect (F&A) costs*:

“The negotiated rates must be accepted by all Federal awarding agencies. A Federal awarding agency may use a rate different from the negotiated rate for a class of Federal awards or a single Federal award only when required by Federal statute or regulation, or when approved by a Federal awarding agency head or delegate based on documented justification as described in paragraph (c)(3) of this section.”

Per Agency for International Development Acquisition Regulation (AIDAR), Section 742.770, *Indirect Cost Rates*:

“Negotiated indirect cost rate agreement. Except for educational institutions having a cognizant agency (as defined in OMB Circular A-88, 44 FR 70094, 12/5/79) other than USAID, USAID may establish negotiated overhead rates in a Negotiated Indirect Cost Rate Agreement, executed by both parties. The Negotiated Indirect Cost Rate Agreement is automatically incorporated in each contract between the parties and shall specify: (a) The final rate(s), (b) the base(s) to which the rate(s) apply, (c) the period(s) for which the rate(s) apply, (d) the items treated as direct costs, and (e) the contract(s) to which the rate(s) apply. The Negotiated Indirect Cost Rate Agreement shall not change any monetary ceiling, obligation, or specific cost allowance or disallowance provided for in each contract between the parties.”

Cause: FHI intentionally utilizes a rate structure for its Cost-Plus-Fixed-Fee (CPFF) contracts that is different from its NICRA, as dictated by its Disclosure Statement.

Effect: There is an increased risk that FHI is billing the Government inaccurately and that FHI is not in compliance with Title 2 CFR 200.414.

Recommendation: Kearney recommends that FHI include the CPA rate in its supporting documentation and negotiations leading up to the execution of a NICRA or otherwise receive

written approval from USAID to bill the rate on applicable awards.

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) (\$)	
Cooperative Agreements					
Personnel	118,170,462 (Note 1)	2,035,370	-	2,035,370	
Fringe Benefits		-	-	-	
Consultants		1,648,122	-	1,648,122	
Travel and Transport		484,217	-	484,217	
Equipment		677,775	-	677,775	
Supplies		1,027,223	-	1,027,223	
Subawards		4,663,489	-	4,663,489	
Other Direct Costs (ODC)		13,250,846	-	13,250,846	
Indirect Costs (Note 2)		16,829,538	6,709,756	-	6,709,756
Add on Work 7200AA19CA00002 Subtotal		135,000,000 (Note 3)	30,496,798	-	30,496,798
Personnel	1,056,131 (Note 1)	-	-	-	
Fringe Benefits		-	-	-	
Consultants		-	-	-	
Travel and Transport		-	-	-	
Equipment		-	-	-	
Supplies		-	-	-	
ODCs		264,774	-	264,774	
Subawards		1,179,443	-	-	
Indirect Costs (Note 2)	-	105,460	-	105,460	
Add on Work 72027820CA00001 Subtotal	2,235,574 (Note 3)	370,234	-	370,234	
Personnel	429,478	465,436	-	465,436	
Fringe Benefits	134,405	-	-	-	
Consultants	100,293	65,597	-	65,597	
Travel and Transport	75,498	161,979	-	161,979	
Equipment	-	-	-	-	
Supplies	964,266	307,539	-	307,539	
Subawards	460,000	762,652	-	762,652	
ODCs	246,721	592,828	-	592,828	
Indirect Costs (Note 2)	739,339	703,453	-	703,453	

Major Cost Category by Award	Budgeted (\$) (a)	Actual Costs Incurred and Invoiced (\$) (b)	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
<i>Add on Work 72044218CA00006 Subtotal</i>	<i>3,150,000 (Note 3)</i>	<i>3,059,484</i>	<i>-</i>	<i>3,059,484</i>
Personnel		257,202	-	257,202
Consultants	401,071	169,063	-	169,063
Fringe Benefits	64,988	-	-	-
Travel and Transport	14,343	16,004	-	16,004
Equipment	56,493	-	-	-
Supplies	247,386	341,479	-	341,479
Subawards	189,643	189,643	-	189,643
ODCs	344,867	389,916	-	389,916
Commodities and Pharmaceuticals	204,952	-	-	-
Indirect Costs (Note 2)	426,257	475,721	-	475,721
<i>Add on Work 72049218CA00008 Subtotal</i>	<i>1,950,000 (Note 3)</i>	<i>1,839,028</i>	<i>-</i>	<i>1,839,028</i>
Personnel	14,845	19,913	-	19,913
Fringe Benefits	5,153	-	-	-
Travel	6,720	10,023	-	10,023
Consultant	110,137	6,191	-	6,191
Supplies	613,579	354,312	-	354,312
Subawards	-	36,055	-	36,055
Construction	-	-	-	-
ODCs	-	297,616	-	297,616
Indirect Costs (Note 2)	249,562	267,286	-	267,286
<i>Add on Work 72051719CA00002 Subtotal</i>	<i>999,996 (Note 3)</i>	<i>991,396</i>	<i>-</i>	<i>991,396</i>
Personnel		3,612	-	3,612
Fringe Benefits		-	-	-
Consultants		-	-	-
Travel and Transport	139,831	10,367	-	10,367
Equipment	(Note 1)	-	-	-
Supplies		-	-	-
Subawards		-	-	-
ODCs		43,841	-	43,841
Indirect Costs (Note 2)	55,694	18,718	-	18,718
<i>Add on Work 72061220CA00002 Subtotal</i>	<i>195,525</i>	<i>76,538</i>	<i>-</i>	<i>76,538</i>

Major Cost Category by Award	Budgeted (\$) (a)	Actual Costs Incurred and Invoiced (\$) (b)	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Personnel	17,158	11,324	-	11,324
Fringe Benefits	5,401	-	-	-
Travel and Transport	14,930	6,998	-	6,998
ODCs	177,057	59,896	-	59,896
Indirect Costs (Note 2)	85,454	29,521	-	29,521
Add on Work 72061318CA00008 Subtotal	300,000	107,739	-	107,739
Labor	248,421	85,817	-	85,817
Fringe Benefits	120,127	-	-	-
Travel and Transport	2,486	700	-	700
Supplies, materials, and Expendable equipment	3,133	58,565	-	58,565
Trainings, Meetings, and workshops	117,687	-	-	-
Sub grants and contracts	-	18,559	-	18,559
Contractual/Professional fees	21,804	349	-	349
ODCs	252,162	594,375	-	594,375
Indirect Costs (Note 2)	297,257	266,053	-	266,053
Add on Work 72061720CA00001 Subtotal	1,063,077 (Note 3)	1,024,418	-	1,024,418
Salaries	6,490,283	1,170	-	1,170
Fringe Benefits	1,937,641	-	-	-
Allowances	240,704	159,447	-	159,447
Travel and Transportation	1,623,071	-	-	-
Equipment	57,365	-	-	-
Supplies	74,402	170,644	-	170,644
ODCs	9,972,618	190,144	-	190,144
Indirect Costs (Note 2)	4,534,811	195,324	-	195,324
Add on Work 72065619CA00004 Subtotal	24,930,895 (Note 3)	716,729	-	716,729
Personnel	210,740	74,057	-	74,057
Consultants	(Note 1)	217,911	-	217,911
Fringe Benefits	5,085	-	-	-
Travel and Transportation	17,499	10,868	-	10,868
Supplies	64,188	33,705	-	33,705
ODCs	616,310	616,574	-	616,574
Subawards	779,939	675,948	-	675,948

Major Cost Category by Award	Budgeted (\$) (a)	Actual Costs Incurred and Invoiced (\$) (b)	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Equipment	-	-	-	-
Commodities and Pharmaceuticals	-	-	-	-
Participant Expenses	-	-	-	-
Indirect Costs (Note 2)	382,239	372,641	-	372,641
Add on Work 72067419LA00003 Subtotal	2,076,000 (Note 3)	2,001,704 (Note 4)	-	2,001,704
Personnel	120,088	29,681	-	29,681
Consultant	(Note 1)	88,128	-	88,128
Fringe Benefits	24,125	-	-	-
Travel and Transport	27,000	7,445	-	7,445
ODCs	543,942	89,615	-	89,615
Supplies	(Note 1)	59,639	-	59,639
Subawards	-	-	-	-
Equipment	-	-	-	-
Participant Expenses	-	-	-	-
Indirect Costs (Note 2)	284,845	108,200	-	108,200
Add on Work AID-532-LA-17-00001 Subtotal	1,000,000	382,708	-	382,708
Personnel		-	-	-
Fringe Benefits		-	-	-
Consultants		-	-	-
Travel and Transport		-	-	-
Equipment	100,000	-	-	-
Supplies	(Note 1)	-	-	-
Subawards		-	-	-
ODCs		3,856	-	3,856
Indirect Costs (Note 2)		1,536	-	1,536
Add on Work AID-611-A-16-00005 Subtotal	100,000	5,392	-	5,392
Personnel	5,267	9,935	-	9,935
Fringe Benefits	1,659	-	-	-
Travel and Transport	-	21,581	-	21,581
ODCs	566,132	577,613	-	577,613
Supplies	(Note 1)	762	-	762
Indirect Costs (Note 2)	212,146	23,819	-	23,819

Major Cost Category by Award	Budgeted (\$) (a)	Actual Costs Incurred and Invoiced (\$) (b)	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
<i>Add on Work AID-613-A-15-00009 Subtotal</i>	785,204 (Note 3)	633,710	-	633,710
Personnel	-	(47)	-	(47)
Fringe Benefits	-	-	-	-
Travel and Transport	-	221	-	221
Supplies	-	794	-	794
ODCs	225,623	199,175	-	199,175
Subawards	87,074	78,287	-	78,287
Equipment	-	-	-	-
Indirect Costs (Note 2)	87,303	82,232	-	82,232
<i>Add on Work AID-615-A-16-00011 Subtotal</i>	400,000 (Note 3)	360,662	-	360,662
Personnel		43,054	-	43,054
Fringe Benefits		-	-	-
Consultants		-	-	-
Travel and Transport	291,928	1,856	-	1,856
Equipment	(Note 1)	-	-	-
Supplies		4,530	-	4,530
Subawards		-	-	-
ODCs		180,143	-	180,143
Indirect Costs (Note 2)	108,072	85,580	-	85,580
<i>Add on Work AID-617-A-13-00003 Subtotal</i>	400,000	315,163	-	315,163
Personnel	1,689,066	-	-	-
Fringe Benefits	503,460	-	-	-
Travel and Transport	231,353	-	-	-
Supplies	14,231	148,914	-	148,914
ODCs	601,420	-	-	-
Subawards	5,690,804	-	-	-
Equipment	-	-	-	-
Indirect Costs (Note 2)	1,396,597	59,313	-	59,313
<i>Add on Work AID-656-A-16-00010 Subtotal</i>	10,126,931 (Note 3)	208,227	-	208,227
Personnel	1,018,410	-	-	-
Fringe Benefits	302,544	-	-	-
Travel and Transport	104,078	-	-	-

Major Cost Category by Award	Budgeted (\$) (a)	Actual Costs Incurred and Invoiced (\$) (b)	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
ODCs	289,547	349	-	349
Contractual	1,145,354	-	-	-
Equipment	-	-	-	-
Indirect Costs (Note 2)	705,013	139	-	139
Add on Work AID-656-A-17-00002 Subtotal	3,564,946 (Note 3)	488	-	488
Personnel	28,224	50,784	-	50,784
Fringe Benefits	11,405	-	-	-
Travel and Transport	3,628	4,340	-	4,340
ODCs	56,352	58,735	-	58,735
Supplies	(Note 1)	14,225	-	14,225
Subawards	201,000	134,370	-	134,370
Equipment	-	-	-	-
Indirect Costs (Note 2)	44,392	62,691	-	62,691
Add on Work AID-688-A-16-00006 Subtotal	345,001	325,145	-	325,145
Personnel	350,768	67,896	-	67,896
Consultant	(Note 1)	123,113	-	123,113
Fringe Benefits	26,881	-	-	-
Travel and Transport	9,200	10,873	-	10,873
Supplies	-	170,227	-	170,227
ODCs	288,236	258,380	-	258,380
Subawards	-	-	-	-
Equipment	-	-	-	-
Indirect Costs (Note 2)	249,916	252,599	-	252,599
Add on Work AID-OAA-A-14-00045 Subtotal	925,001	883,088	-	883,088
Subtotal Cooperative Agreements	189,548,150	43,798,651	-	43,798,651
Cost Reimbursable				
Personnel		-	-	-
Fringe Benefits		-	-	-
Consultants	600,000	-	-	-
Travel and Transport	(Note 1)	2,576	-	2,576
Equipment		-	-	-
Supplies		-	-	-

Major Cost Category by Award	Budgeted (\$) (a)	Actual Costs Incurred and Invoiced (\$) (b)	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Subcontracts		342,017	-	342,017
ODCs		101,275	-	101,275
Indirect Costs (Note 2)		55,728	-	55,728
Add on Work AID-612-C-16-00005 Subtotal	600,000 (Note 3)	501,596	-	501,596
Personnel	52,300	464	-	464
Fringe Benefits	23,572	-	-	-
Travel and Transport	70,200	4,563	-	4,563
Supplies	-	321	-	321
ODCs	101,464	10,589	-	10,589
Subcontracts	-	-	-	-
Equipment	-	-	-	-
Indirect Costs	98,594	6,393	-	6,393
Add on Work AID-695-C-17-00001 Subtotal	346,130	22,330	-	22,330
Personnel		84,644	-	84,644
Fringe Benefits		-	-	-
Consultants		756	-	756
Travel and Transport		-	-	-
Equipment	755,600 (Note 1)	-	-	-
Supplies		1,417	-	1,417
Subcontracts		1,000	-	1,000
ODCs		25,467	-	25,467
Indirect Costs (Note 2)		75,855	-	75,855
Add on Work AID-OAA-C-15-00001 Subtotal	755,600 (Note 3)	189,139	-	189,139
Subtotal Cost Reimbursable	1,701,730	713,065	-	713,065
Grant Agreements				
Personnel	283,573	257,121	-	257,121
Fringe Benefits	154,045	-	-	-
Consultants	-	34,109	-	34,109
Travel and Transportation	57,308	130,771	-	130,771
Allowances	29,923	-	-	-
Program Supplies and Equipment <5,000	37,172	103,417	-	103,417
ODCs	963,912	887,510	-	887,510

Major Cost Category by Award	Budgeted (\$) (a)	Actual Costs Incurred and Invoiced (\$) (b)	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Construction	-	-	-	-
USAID Branding and Marketing	6,000	-	-	-
Equipment over 5,000	-	-	-	-
Indirect Costs (Note 2)	567,121	520,617	-	520,617
Add on Work 720FDA20GR00153 Subtotal	2,099,054	1,933,545	-	1,933,545
Personnel	466,784	427,237	-	427,237
Consultant	(Note 1)	2,231	-	2,231
Fringe Benefits	146,835	-	-	-
Travel and Transport	14,375	19,092	-	19,092
ODCs	1,216,805	809,778	-	809,778
Equipment over 5,000	(Note 1)	16,783	-	16,783
Supplies	734,784	505,528	-	505,528
Indirect Costs (Note 2)	734,784	733,969	-	733,969
Add on Work 720FDA20GR00209 Subtotal	2,579,583	2,514,618	-	2,514,618
Subtotal Grant Agreements	4,678,637	4,448,163	-	4,448,163
Grand Total	195,928,517	48,959,879	-	48,959,879

- a) This column was compiled based on internal budgets utilized by FHI 360 (FHI) and on the budget displayed in the specific award agreements. While some of the costs incurred towards individual cost categories are above the budgeted amount, FHI was within the Award budgeted amount in totality
- b) Amounts listed represent costs incurred under Coronavirus Disease 2019 (COVID-19)-funded awards

Note 1: The budget information was not documented to the cost element level; therefore, Kearney displayed the budgeted amount as displayed in the budget, instead of by cost category identified in the general ledger (GL).

Note 2: The applied indirect cost amount shown in this exhibit for all awards are 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: Kearney noted that the award was the result of add-on work, in which the budget was not kept at the fund level; therefore, the budget information displayed is at the total award level and represents additional funding sources outside of COVID-19.

Note 4: Kearney noted that the incurred costs under this award are over budget due to Kearney's recalculation of the indirect costs. Specifically, Kearney recalculated the applied indirect costs utilizing the rates from FHI's NICRA, which resulted in a total of \$372,641 (see [Exhibit B](#) for additional information); however, FHI's fiscal year (FY) 2020 to 2022 indirect rates have been finalized, which resulted in total applied indirect costs of \$359,839. Therefore, this award was not over budget.

EXHIBIT B: SCHEDULE OF INDIRECT COST RATES

Award Number	NICRA Effective Dates	Indirect Category	NICRA Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (\$) <i>Note 1</i>
7200AA19CA00002	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	22,169	6,329
		Subcontract/ Subrecipient Management (b)	3.74	102,319	3,827
		General and Administrative (G&A) (c)	37.02	1,190,914	440,876
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	901,377	278,075
		Subcontract/ Subrecipient Management (b)	4.20	4,561,170	191,569
		G&A (c)	39.83	14,534,471	5,789,080
72027820CA00001	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	-	-
		Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	-	-
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	-	-
		Subcontract/ Subrecipient Management (b)	4.20	-	-
		G&A (c)	39.83	264,774	105,460
72044218CA00006	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	49,469	14,123
		Subcontract/ Subrecipient Management (b)	3.74	137,795	5,154
		G&A (c)	37.02	353,961	131,036
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	119,813	36,962
		Subcontract/ Subrecipient Management (b)	4.20	624,857	26,244
		G&A (c)	39.83	1,230,061	489,934
72049218CA00008	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	17,385	4,964
		Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	239,741	88,752
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	57,645	17,784
		Subcontract/ Subrecipient Management (b)	4.20	189,643	7,965
		G&A (c)	39.83	894,444	356,256
72051719CA00002	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	961	274
		Subcontract/ Subrecipient Management (b)	3.74	30,482	1,140
		G&A (c)	37.02	421,404	156,004
	Provisional rates (effective for scope period of 09/21/2020)	Fringe Benefit (a)	30.85	11,156	3,442
		Subcontract/ Subrecipient Management (b)	4.20	5,573	234

Award Number	NICRA Effective Dates	Indirect Category	NICRA Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (\$) <i>Note 1</i>
	through 03/31/2022)	G&A (c)	39.83	266,613	106,192
72061220CA00002	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	-	-
		Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	-	-
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	-	-
		Subcontract/ Subrecipient Management (b)	4.20	-	-
		G&A (c)	39.83	46,995	18,718
72061318CA00008	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	-	-
		Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	-	-
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	-	-
		Subcontract/ Subrecipient Management (b)	4.20	-	-
		G&A (c)	39.83	74,118	29,521
72061720CA00001	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	-	-
		Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	-	-
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	-	-
		Subcontract/ Subrecipient Management (b)	4.20	18,559	779
		G&A (c)	39.83	666,015	265,274
72065619CA00004	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	-	-
		Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	78,383	29,017
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	-	-
		Subcontract/ Subrecipient Management (b)	4.20	-	-
		G&A (c)	39.83	417,540	166,307
72067419LA00003	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	-	-
		Subcontract/ Subrecipient Management (b)	3.74	214,855	8,036
		G&A (c)	37.02	93,914	34,767
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	-	-
		Subcontract/ Subrecipient Management (b)	4.20	461,093	19,366
		G&A (c)	39.83	779,495	310,472

Award Number	NICRA Effective Dates	Indirect Category	NICRA Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (\$) <i>Note 1</i>
720FDA20GR00153	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	18,371	5,245
		Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	66,595	24,653
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	92,194	28,442
		Subcontract/ Subrecipient Management (b)	4.20	-	-
		G&A (c)	39.83	1,160,624	462,277
720FDA20GR00209	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	-	-
		Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	79,647	29,485
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	134,650	41,540
		Subcontract/ Subrecipient Management (b)	4.20	-	-
		G&A (c)	39.83	1,664,435	662,944
AID-532-LA-17-00001	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	-	-
		Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	30,976	11,467
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	-	-
		Subcontract/ Subrecipient Management (b)	4.20	-	-
		G&A (c)	39.83	242,863	96,733
AID-611-A-16-00005	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	-	-
		Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	-	-
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	-	-
		Subcontract/ Subrecipient Management (b)	4.20	-	-
		G&A (c)	39.83	3,856	1,536
AID-612-C-16-00005	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	-	-
		Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	-	-
		CPA (d) (Note 2)	18.18	-	-
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	-	-
		Subcontract/ Subrecipient Management (b)	4.20	342,017	14,365
		G&A (c)	39.83	103,851	41,363

Award Number	NICRA Effective Dates	Indirect Category	NICRA Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (\$) <i>Note 1</i>
		CPA (d) (Note 2)	18.18	-	-
AID-613-A-15-00009	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	-	-
		Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	9,234	3,418
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	-	-
		Subcontract/ Subrecipient Management (b)	4.20	-	-
		G&A (c)	39.83	51,220	20,401
AID-615-A-16-00011	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	-	-
		Subcontract/ Subrecipient Management (b)	3.74	29,129	1,089
		G&A (c)	37.02	22,751	8,423
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	-	-
		Subcontract/ Subrecipient Management (b)	4.20	49,158	2,065
		G&A (c)	39.83	177,392	70,655
AID-617-A-13-00003	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	-	-
		Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	176,049	65,173
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	2,137	659
		Subcontract/ Subrecipient Management (b)	4.20	-	-
		G&A (c)	39.83	49,580	19,748
AID-656-A-16-00010	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	-	-
		Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	-	-
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	-	-
		Subcontract/ Subrecipient Management (b)	4.20	-	-
		G&A (c)	39.83	148,914	59,313
AID-656-A-17-00002	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	-	-
		Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	-	-
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	-	-
		Subcontract/ Subrecipient Management (b)	4.20	-	-
		G&A (c)	39.83	349	139

Award Number	NICRA Effective Dates	Indirect Category	NICRA Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (\$) <i>Note 1</i>
AID-688-A-16-00006	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Fringe Benefit (a)	28.55	-	-
		Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	-	-
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Fringe Benefit (a)	30.85	20,809	6,419
		Subcontract/ Subrecipient Management (b)	4.20	134,370	5,644
		G&A (c)	39.83	127,110	50,628
AID-695-C-17-00001	Provisional rates (effective for scope period of 03/01/2020 through 9/20/2020)	Fringe Benefit (a)	28.55	-	-
		Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	-	-
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	CPA (d) (Note 2)	18.18	-	-
		Fringe Benefit (a)	30.85	156	48
		Subcontract/ Subrecipient Management (b)	4.20	-	-
AID-OAA-A-14-00045	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	G&A (c)	39.83	15,830	6,305
		CPA (d) (Note 2)	18.18	219	40
		Fringe Benefit (a)	28.55	2,224	635
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	Subcontract/ Subrecipient Management (b)	3.74	-	-
		G&A (c)	37.02	26,745	9,901
		Fringe Benefit (a)	30.85	11,839	3,652
AID-OAA-C-15-00001	Provisional rates (effective for scope period of 03/01/2020 through 09/20/2020)	Subcontract/ Subrecipient Management (b)	4.20	-	-
		G&A (c)	39.83	598,570	238,411
		Fringe Benefit (a)	28.55	49,017	13,994
	Provisional rates (effective for scope period of 09/21/2020 through 03/31/2022)	CPA (d) (Note 2)	18.18	50,136	9,115
		Fringe Benefit (a)	30.85	20,293	6,260
		Subcontract/ Subrecipient Management (b)	4.20	1,000	42
		G&A (c)	39.83	35,745	14,237
		CPA (d) (Note 2)	18.18	21,298	3,872

a) The Fringe Benefit base is total salary expense excluding local hired and local paid employees and contract employees located overseas

- b) The Subcontract/ Subrecipient Management base is total direct subcontract/subrecipient expenses
- c) The G&A base is total direct costs excluding pharmaceuticals, commodity purchases, equipment greater than \$5,000, participant expenses, donated goods and services, in kind contributions, vehicles, subcontract/subrecipient expenses
- d) The CPA base is FHI and Corporate Home Office United States payroll labor dollars.

Note 1: The applied indirect cost amount shown in this exhibit for all awards are 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 2: Kearney noted an instance of non-compliance with this rate, as this rate is not included in FHI's NICRA. See [Finding #1](#) for additional information.

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 FHI 360’s (also referred to as “FHI” 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 (\$)
7200AA19CA00002	93,231,530	30,496,798
72027820CA00001	1,100,000	370,234
72044218CA00006	2,550,000	3,059,484
72049218CA00008	2,267,500	1,839,028
72051719CA00002	600,000	991,396
72061220CA00002	195,525	76,538
72061318CA00008	300,000	107,739
72061720CA00001	1,663,335	1,024,418
72065619CA00004	800,000	716,729
72067419LA00003	2,000,000	2,001,704
720FDA20GR00153	2,099,054	1,933,545
720FDA20GR00209	2,579,583	2,514,618
AID-532-LA-17-00001	1,000,000	382,708
AID-611-A-16-00005	100,000	5,392
AID-612-C-16-00005	1,200,000	501,596
AID-613-A-15-00009	785,000	633,710
AID-615-A-16-00011	200,000	360,662
AID-617-A-13-00003	400,000	315,163
AID-656-A-16-00010	229,485	208,227
AID-656-A-17-00002	298,674	488
AID-688-A-16-00006	345,000	325,145
AID-695-C-17-00001	346,130	22,330
AID-OAA-A-14-00045	925,000	883,088
AID-OAA-C-15-00001	655,600	189,139

* Kearney noted that the displayed incurred costs under this award are over obligated due to Kearney’s recalculation of the indirect costs. Specifically, Kearney recalculated the applied indirect costs utilizing the rates from FHI’s Negotiated Indirect Cost Rate Agreement (NICRA), which resulted in a total of \$372,641 (see [Exhibit B](#) for additional information); however, FHI’s fiscal year (FY) 2020 to 2022 indirect rates have been finalized, which resulted in total applied indirect costs of \$359,839. Therefore, this award was not over the obligated amount.

- 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 28, 2023 to November 20, 2023 and covered the period from March 1, 2020 to March 31, 2022. In addition, the following FHI overseas locations had transactions that were included in our samples: Jordan, Cambodia, Eswatini, Thailand, Tanzania, Egypt, Honduras, Indonesia, Fiji, India, Maldives, Dominican Republic, Malawi, Zimbabwe, Uganda, Mozambique, Dominican Republic of the Congo, Panama, Nepal, Nigeria, Jamaica, Paraguay, Kenya, Mali, Senegal, Vietnam, and Sri Lanka.

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 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. Code of Federal Regulations (CFR) 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*
5. 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 and 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
- 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
- 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 FHI’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

FHI 360 provided the following response to Finding #1:

“FHI 360 has incorporated by reference FAR clause 52.230-2, Cost Accounting Standards (CAS), and FAR clause 52.230-6, Administration of Cost Accounting Standards, in all three (3) cost reimbursement contracts. These FAR clauses require FHI 360 to consistently adhere to accounting treatment of Compensated Personal Absence (CPA) expenses as detailed in FHI 360’s Cost Accounting Standards Disclosure Statements (CAS DS-1) which has been shared with USAID and in compliance with CAS Standard 408. These clauses refer to the CAS DS-1 in which the CPA, a direct labor pool is discussed in section 3.2.3, Functions, Elements of Cost or Transactions Related to Direct Labor, III-2, Vacation Pay and Sick Leave, pdf page 15; and section 4.3.0, Service Center and Expense Pool Allocation Bases, IV-10, pdf page 28.

FHI 360’s Compensated Personal Absence (CPA) pool, which is distinctively separate from our Fringe Benefits pool, has been transparently disclosed to our cognizant agency in our Cost Accounting Standards Disclosure Statements (CAS DS-1) since 2009. During these 14 years, USAID has continued to issue NICRA letters to FHI 360 that do not contain a CPA rate; and concerns of non-compliance has not been raised.

USAID has conducted several CAS compliance reviews of FHI 360, with the most recent review taking place earlier this year. Each occurrence resulted in nil findings.

FHI 360 has consistently bid, subsequently billed and submitted financial reports containing separate CPA and Fringe rates to U. S. government clients without any issues. Additionally, for NICRA incurred cost submissions to USAID, our CPA pool and base costs, and by extension the CPA rate, are separately and transparently presented. Also, FHI 360’s CPA rate, a direct pool cost methodology, is prominently stated on each invoice, and therefore highly visible to USAID and other U.S. government funding agencies for any inquiries.

During April 2023, FHI 360 submitted CAS DS-1 Revision No.6 to USAID to be effective from October 1, 2023 (FY24). As previous [noted], it contains separate CPA and Fringe pools. Simultaneously, FHI 360 submitted a request to USAID for an updated NICRA containing provisional FY24 rates and requested to add the CPA rates. We have not yet received USAID’s response.

Acceptance of the three (3) contracts and the Cost Accounting Standards conditions contained therein, our cognizant agency issuance of the Negotiated Indirect Cost Rate Agreement (NICRA), and acceptance of required financial reports containing Compensated Personal Absence (CPA) rates and amounts; these actions constitute awareness and approval of the CPA rates by all U.S. government agencies in which FHI 360 obtains funding.”

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

The following is Kearney’s response to the comments that the FHI 360 (FHI) provided in regard to our *Incurring Cost Audit over FHI 360’s (FHI) 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:


While FHI did include the CPA rate in both its Disclosure Statement and invoices to USAID, Kearney still notes the increased risk that FHI is billing the Government inaccurately and that FHI is not in compliance with Title 2 CFR 200.414. Therefore, 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 FHI-360 (FHI) from March 1, 2020, to March 31, 2022" (3-000-24-004-U) prepared by Kearney & Company P.C. (Kearney) on behalf of the Office of the USAID Inspector General (OIG) on April 3, 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 FHI-360 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 FHI did not comply in all material respects with regulatory and award requirements related to USAID-funded programs and projects. This finding is related to a Compensated Personal Absence (CPA) rate that is not included in FHI's Negotiated Indirect Cost Rate Agreement (NICRA). For the remaining audit objectives, Kearney concluded that FHI complied with the standards set by their awards; that costs incurred were allowable, allocable, and reasonable; and that FHI'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 FHI-360 (FHI) FROM MARCH 1, 2020, TO MARCH 31, 2022" (3-000-24-004-U) PREPARED BY KEARNEY & COMPANY P.C. (KEARNEY) ON BEHALF OF THE OFFICE OF THE USAID INSPECTOR GENERAL (OIG) ON APRIL 3, 2024

Recommendation 1: Require FHI to develop and implement procedures to include the Compensated Personal Absence (CPA) rate in its supporting documentation and negotiations leading up to the execution of a NICRA unless USAID provides written approval to bill the rate on applicable awards.

Management Comments: USAID agrees with this recommendation. Under this finding, Kearney found that FHI bills an additional indirect cost rate in its invoices that is not included in its NICRA. Specifically, for awards AID-612-C-16-00005, AID-695-C-17-00001, and AID-OAA-C-15-00001, FHI billed costs associated with this CPA rate, which is not included in its NICRA. In accordance with the NICRA, these costs would otherwise be included in the Fringe rate. FHI did not provide supporting documentation to Kearney that the use of this rate was required by federal statute or regulation, or that USAID approved the use of a rate not included in its NICRA.

Although FHI included a description of the CPA pool in its Cost Accounting Standards Disclosure Statements (CAS DS-1) since 2009, FHI has never included this rate in any of its NICRA proposals. USAID will require FHI to include the CPA rate in a revised indirect cost rate proposal and will require FHI to provide the required supporting documentation to substantiate the use of this rate.

- **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 FHI to provide Kearney with a transactional listing of auditable costs incurred, as it pertains to all awards in the scope of our audit. Kearney was unable to verify the accuracy and completeness of this testing population due to a lack of a reconciliation source because 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 FHI 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 Kearney's audit period end of March 31, 2022.

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

Additionally, Kearney was 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 was COVID-19 funds; therefore, Kearney was unable to reconcile the transactional detail to the applicable Standard Form (SF)-425 or invoice, and Kearney was unable to quantify the total applied indirect costs. Kearney evaluated the methodology of the applied indirect costs to the award as a whole based on the SF-425s or invoices and the NICRA.

Management Comments: As noted above, Kearney was unable to validate the completeness of the testing population due to a lack of a reconciliation source as described above and relied on FHI 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 FHI 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 asserted that there remains an unmitigated risk that the population of costs incurred under COVID-19 activities as provided by FHI is not complete and unallowable costs may exist that would not have been detected by its 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 FHI-360 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 FHI-360 (FHI) from March 1, 2020, to March 31, 2022" (3-000-24-004-U) Prepared by Kearney & Company P.S. (Kearney) on behalf of the Office of the USAID Inspector General (OIG) on April 3, 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