

OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

COVID-19: Audit of Costs Incurred By Catholic Relief Services – United States Conference of Catholic Bishops from March 1, 2020, to March 31, 2022

Audit Report 3-000-24-007-U
July 5, 2024





OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: July 5, 2024

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

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

SUBJECT: COVID-19: Audit of Costs Incurred By Catholic Relief Services – United States Conference of Catholic Bishops from March 1, 2020, to March 31, 2022 (3-000-24-007-U)

Enclosed is the final report on the audit of claimed costs incurred by Catholic Relief Services – United States Conference of Catholic Bishops (CRS-USCCB) for USAID’s Coronavirus Disease of 2019 (COVID-19)-related activities for the period of March 1, 2020, to March 31, 2022.¹ The Office of Inspector General (OIG) contracted with the independent certified public accounting and consulting firm of Kearney & Company P.C. (Kearney) to conduct a performance audit to determine allowability, allocability, and reasonableness of costs incurred by CRS-USCCB.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 CRS-USCCB under the subject awards for the period audited are fairly presented and in conformity with the terms of regulatory and award requirements and generally accepted accounting principles (GAAP).

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

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

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

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

Kearney concluded that CRS-USCCB complied with the standards set by their awards; that costs incurred were allowable, allocable, and reasonable; and that CRS-USCCB'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 CRS-USCCB to distinguish COVID-19 funds from non-COVID-19 funds in expenditure reports and invoices. As a result, even in cases where CRS-USCCB 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 CRS-USCCB to provide a transactional record of costs incurred with COVID-19 funding and adjusted its evaluation methodology. There remains an unmitigated risk that total costs incurred with COVID-19 funding as provided by USAID is not complete, and unallowable costs may exist that would not have been detected by Kearney's audit. Kearney has identified this as a systemic issue pertaining to USAID award terms and conditions and thus communicated the issue to us under separate cover for appropriate action with responsible parties. As a result, we are not making any recommendations to address this weakness at this time.

In finalizing the report, OIG evaluated USAID's response to the draft audit report.

We appreciate the assistance provided to our staff and the audit firm's employees during the engagement.



***Deliverable of the Performance Audit Report for the Incurred
Cost Audit over Catholic Relief Services – United States
Conference of Catholic Bishops’ (CRS-USCCB) Coronavirus
Disease 2019 (COVID-19)-Related Activities for the Period of
March 1, 2020 to March 31, 2022***

Contract Number: 72001G22C00007

April 8, 2024

**KEARNEY &
COMPANY**

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

April 8, 2024

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

Dear Mr. McNeil:

Kearney & Company, P.C. (Kearney) has conducted a performance audit of the costs claimed by Catholic Relief Services – United States Conference of Catholic Bishops (CRS-USCCB) 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
Catholic Relief Services – United States Conference of
Catholic Bishops’ (CRS-USCCB) Coronavirus Disease 2019
(COVID-19)-Related Activities for the Period of March 1, 2020
to March 31, 2022***

January 2, 2024

**KEARNEY &
COMPANY**

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OBJECTIVES

As requested by the United States Agency for International Development (USAID) Office of Inspector General (OIG), Kearney & Company, P.C. (also referred to as “Kearney,” “we,” “us,” and “auditor” in this report) audited the allowability, allocability, and reasonableness of costs incurred by Catholic Relief Services – United States Conference of Catholic Bishops (also referred to as “CRS-USCCB” 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 CRS-USCCB

CRS-USCCB, founded in 1943, is the international humanitarian aid and development agency of the United States Conference of Catholic Bishops; it is governed by a board composed of 12 United States Bishops elected from the United States Conference of Catholic Bishops (USCCB). CRS-USCCB helps vulnerable people during and after emergencies by working with local organizations around the world in places such as Cameroon, El Salvador, Ethiopia, Guatemala, Sudan, South Sudan, and Italy. During the emergency, CRS-USCCB aids the survivors, and after the emergency is over, the agency helps people manage their own recovery. Through CRS-USCCB's COVID-19 work, it has spread COVID-19 leaflets, as well as provided hygiene kits and trained healthcare personnel. (<https://www.crs.org/>, <https://www.crs.org/media-center/current-issues/coronavirus-facts-and-how-help>)

In 2021, CRS-USCCB had \$1.191 billion in total revenue, including public support, such as USAID funds, as well as private support. The CRS-USCCB headquarters are located in Baltimore, Maryland. CRS-USCCB employs over 7,000 staff in more than 100 countries around the world. Between October 2020 and September 2021, CRS-USCCB had 117 million participants through its health initiatives, and 16.5 million participants in its water and sanitation initiatives. (2021 Annual Report available at <https://www.crs.org/about/financial-reports>, <https://www.crs.org/our-work-overseas/where-we-work>, <https://www.crs.org/about/careers>)

About USAID

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

About USAID's Response to COVID-19

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

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

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

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

AUDIT RESULTS

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

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

Conclusion

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

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

Objective	Objective Met/Not Met
The Recipient requested from USAID the necessary approval for the issuance of subawards according to regulatory and award requirements	Met
The Recipient took corrective actions on prior audit report recommendations.	Not applicable (N/A)

Limitations or Uncertainties with the Reliability or Validity of Evidence

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

- 720BHA21GR00027
- AID-294-A-16-000002
- 72061318CA00001
- AID-624-A-14-00004
- 720BHA21CA000002.

Kearney is unable to verify the accuracy and completeness of this testing population due to a lack of a reconciliation source, as 1) for the awards listed above, 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 listed above that are funded through modifications or were new awards with multiple funding sources. These awards include multiple funding sources, only one of which is COVID-19 funds; therefore, we are unable to reconcile the transactional detail to the applicable Standard Form (SF)-425 or invoice and we are unable to quantify total applied indirect costs. Kearney evaluated the methodology of the applied indirects to the award as a whole based on the SF-425s or invoice and the Negotiated Indirect Cost Rate Agreement (NICRA).

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

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) (\$)
<i>Cooperative Agreements</i>				
Direct Labor	4,289,415	-	-	-
Fringe Benefits	1,768,599	-	-	-
Consultants	79,531	-	-	-
Allowances	427,371	-	-	-
Travel	387,069	-	-	-
Equipment	133,565	5,000	-	5,000
Program Activities	749,508	-	-	-
Subcontracts	10,556,787	-	-	-
Program Materials (Note 1)	1,521,327	194,797	-	194,797
Other Direct Costs (ODC) (Note 1)		226	-	226
Indirect Costs (Note 2)	3,528,682	39,004	-	39,004
Contract Limitations (Note 3)		(39,027)	-	(39,027)
<i>Add-on Work for AID-624-A-14-00004 Subtotal</i>	23,441,854	200,000	-	200,000
Personnel	1,325,262	996,445	-	996,445
Fringe Benefits	448,975	228,794	-	228,794
Other Short Term “Non-employee” Labor	163,023	127,379	-	127,379
Travel	113,456	19,324	-	19,324
Overseas Allowances	82,989	(74)	-	(74)
Supplies	2,388,484	1,515,319	-	1,515,319
Contractual	1,794,393	1,428,190	-	1,428,190
ODCs (Note 1)		841,868	-	841,868
Program Materials (Note 1)	2,812,984	2,783,500	-	2,783,500
Equipment (Note 1)		9,246	-	9,246
Beneficiary Training	28,100	2,208	-	2,208
USAID Branding and Marketing	9,000	-	-	-
Indirect Costs (Note 2)	1,833,333	1,611,685	-	1,611,685
<i>Add-on Work for AID-294-A-16-00002 Subtotal</i>	10,999,999	9,563,884	-	9,563,884
Personnel	2,271,878	9,058	-	9,058
Fringe Benefits	866,648	-	-	-

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred and Invoiced (\$ (b))	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Travel and Transportation	264,387	21,662	-	21,662
Equipment	-	-	-	-
Supplies	26,121	-	-	-
Implementation costs	234,552	-	-	-
Monitoring and Evaluation	1,468,839	-	-	-
Training costs	23,216	-	-	-
Marking and Branding	21,377	-	-	-
Contractual and Sub-Awards	11,107,553	-	-	-
ODCs	520,397	1,509	-	1,509
Indirect Costs (Note 2)	2,123,798	6,446	-	6,446
Add-on Work for 72061318CA00001 Subtotal	18,928,766	38,675	-	38,675
Personnel (Salaries)	4,864,062	-	-	-
Fringe Benefits	2,481,094	-	-	-
Overseas Allowances	-	-	-	-
Program Supplies, Materials, and Equipment less than \$5,000	12,443,175	46,964	-	46,964
Travel and Transport	1,130,636	-	-	-
Commodity Procurement, Transportation and Warehousing	-	-	-	-
Equipment at or above \$5,000	714,450	-	-	-
Consultancy/Technical Assistance/Training	32,000	-	-	-
Contractual/Sub-Awards	1,295,452	-	-	-
ODCs	1,460,185	1,250,372	-	1,250,372
Indirect Costs (Note 2)	4,482,231	259,467	-	259,467
Add-on Work for 720BHA21CA00002 Subtotal	28,903,285	1,556,803	-	1,556,803
Subtotal Cooperative Agreement	82,273,904	11,359,362	-	11,359,362
Fixed Amount Agreement				
Personnel	119,866	88,087	-	88,087
Fringe Benefits	39,781	31,818	-	31,818
Travel and Transportation	19,720	4,366	-	4,366
Equipment	-	-	-	-
Supplies	8,340	4,983	-	4,983
Contractual and Subawards	3,111,000	3,157,174	-	3,157,174
Construction	-	-	-	-

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred and Invoiced (\$ (b))	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Program Materials (Note 1)	34,626	-	-	-
ODCs (Note 1)		46,972	-	46,972
Indirect Costs	666,667	666,600	-	666,600
<i>New Award 7200AA20FA00007 Subtotal</i>	4,000,000	4,000,000	-	4,000,000
<i>Subtotal Fixed Amount Agreement</i>	4,000,000	4,000,000	-	4,000,000
<i>Grant Agreements</i>				
Personnel	139,434	170,790	-	170,790
Fringe Benefits	36,792	18,754	-	18,754
Travel and Transportation	11,396	29,027	-	29,027
Equipment	-	-	-	-
Supplies	9,671	8,559	-	8,559
Contractual and Subawards	347,965	376,530	-	376,530
Construction	-	-	-	-
Program Materials (Note 1)	288,075	97,169	-	97,169
ODCs (Note 1)		126,052	-	126,052
Indirect Costs	166,667	209,168	-	209,168
Contract Limitations (Note 4)		(36,049)	-	(36,049)
<i>New Award 720FDA20GR00041 Subtotal</i>	1,000,000	1,000,000	-	1,000,000
Personnel	23,140	16,440	-	16,440
Fringe Benefits	7,964	2,619	-	2,619
Program Cost	252,156	168,185	-	168,185
Travel and Transportation	10,420	4,290	-	4,290
Program Supplies	-	-	-	-
ODCs	6,737	76,224	-	76,224
USAID Branding and Marking	2,250	-	-	-
Contractual and Subawards	414,723	330,294	-	330,294
Equipment	-	-	-	-
Indirect Costs	143,500	116,479	-	116,479
<i>New Award 720FDA20GR00087 Subtotal</i>	860,890	714,531	-	714,531
Personnel (Salaries)	240,625	266,308	-	266,308
Fringe Benefits	42,391	62,484	-	62,484
Non-Employee Labor	-	-	-	-

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred and Invoiced (\$ (b))	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Travel and Transport	55,108	17,869	-	17,869
Overseas Allowances	8,303	13,339	-	13,339
Program Supplies under \$5,000	9,930	-	-	-
Program Materials (Note 1)	1,158,588	860,267	-	860,267
ODCs (Note 1)		260,376	-	260,376
Beneficiary Training	-	-	-	-
USAID Branding and Marking	15,000	-	-	-
Contractual/Sub-Awards	136,722	170,735	-	170,735
Equipment at or above \$5,000	-	-	-	-
OMB Circular Audit	-	-	-	-
Indirect Costs	333,333	329,715	-	329,715
<i>New Award 720FDA20GR00133 Subtotal</i>	2,000,000	1,981,093	-	1,981,093
Personnel	179,298	171,750	-	171,750
Fringe Benefits	61,810	54,934	-	54,934
Travel	10,049	27,126	-	27,126
General Supplies	11,148	13,301	-	13,301
Contractual	100,869	180,523	-	180,523
ODCs	1,303,493	1,223,313	-	1,223,313
Indirect Costs	333,333	338,155	-	338,155
Contract Limitations (Note 4)		(9,102)	-	(9,102)
<i>New Award 720FDA20GR00216 Subtotal</i>	2,000,000	2,000,000	-	2,000,000
Personnel	222,653	233,566	-	233,566
Fringe Benefits	103,883	93,132	-	93,132
Travel	27,289	6,133	-	6,133
Equipment	-	-	-	-
Supplies	14,915	2,307	-	2,307
Contractual	115,148	-	-	-
Construction	-	-	-	-
Program Materials (Note 1)	3,765,700	-	-	-
Other (Note 1)		3,920,081	-	3,920,081
Indirect Costs	849,918	857,354	-	857,354
Contract Limitations (Note 4)		(13,067)	-	(13,067)

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred and Invoiced (\$ (b))	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
<i>New Award 72DFFP20GR00048 Subtotal</i>	5,099,506	5,099,506	-	5,099,506
Personnel	208,894	73,407	-	73,407
Fringe Benefits	58,490	89,879	-	89,879
Travel and Transportation	31,136	26,173	-	26,173
Supplies	13,059	-	-	-
Contractual and Subawards (Note 1)	197,400	106,498	-	106,498
Equipment (Note 1)		11,250	-	11,250
Commodities (Note 1)		56	-	56
Program Materials (Note 1)		378,360	-	378,360
ODCs	491,021	78,737	-	78,737
Indirect Costs	200,000	154,861	-	154,861
<i>New Award 720FDA20GR00192 Subtotal</i>	1,200,000	919,221	-	919,221
Salaries	175,155	320,170	-	320,170
Fringe Benefits	47,079	81,624	-	81,624
Non-Employee Labor	-	-	-	-
Travel and Transport	79,990	62,932	-	62,932
Overseas Allowance	83,160	-	-	-
Program Supplies under \$5,000	18,350	2,714	-	2,714
Program Materials (Note 1)	295,196	240,392	-	240,392
ODCs (Note 1)		70,490	-	70,490
USAID Branding and Marking	6,000	-	-	-
Contractual and Subawards	828,098	769,724	-	769,724
Equipment at or above \$5,000	-	-	-	-
OMB Circular Audit	-	-	-	-
Indirect Costs	306,606	311,233	-	311,233
Contract Limitations (Note 4)		(19,645)	-	(19,645)
<i>New Award 720FDA20GR00128 Subtotal</i>	1,839,634	1,839,634	-	1,839,634
Salaries	150,328	175,310	-	175,310
Fringe Benefits	63,863	24,813	-	24,813
Other Short-term "Non-Employee Labor"	-	-	-	-
Travel and Transport	15,020	3,054	-	3,054
Overseas Allowance	17,275	4	-	4

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred and Invoiced (\$ (b))	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Supplies	56,375	331	-	331
Training	-	-	-	-
Program Materials (<i>Note 1</i>)	48,439	2,391	-	2,391
ODCs (<i>Note 1</i>)		103,457	-	103,457
Beneficiary Training	-	-	-	-
Branding and Marking	2,068	-	-	-
Contractual and Subawards	771,632	791,319	-	791,319
Equipment	-	-	-	-
OMB Audit	-	-	-	-
Indirect Costs	225,000	223,318	-	223,318
<i>New Award 720FDA20GR00172 Subtotal</i>	1,350,000	1,323,997	-	1,323,997
Personnel	59,238	259,272	-	259,272
Fringe Benefits	26,893	30,546	-	30,546
Travel and Transport	16,432	24,179	-	24,179
Equipment	-	-	-	-
Supplies	-	-	-	-
Subawards and Other Subcontracts	2,188,050	1,674,450	-	1,674,450
Program Materials (<i>Note 1</i>)	1,045,257	17,585	-	17,585
ODCs (<i>Note 1</i>)		438,380	-	438,380
Indirect Costs	264,130	168,467	-	168,467
<i>New Award 72DFP20GR00060 Subtotal</i>	3,600,000	2,612,879	-	2,612,879
Staff Salaries	608,343	306,801	-	306,801
Fringe Benefits	233,713	28,708	-	28,708
Supplies and Materials	23,879	-	-	-
Travel	167,460	101,726	-	101,726
Commodity Procurement, Transportation and Warehousing	-	-	-	-
Capital Equipment	-	-	-	-
Consultancy/Technical Assistance/Training	34,442	-	-	-
Sub-awardee	856,461	534,952	-	534,952
Program Materials (<i>Note 1</i>)	1,480,427	211,385	-	211,385
ODCs (<i>Note 1</i>)		374,406	-	374,406
Indirect Costs	680,945	311,595	-	311,595

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred and Invoiced (\$ (b))	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
<i>New Award 720BHA21GR00027 Subtotal</i>	4,085,670	1,869,573	-	1,869,573
Staff Salaries	686,614	596,644	-	596,644
Fringe Benefits	318,530	95,767	-	95,767
Supplies and Materials	29,589	-	-	-
Travel	127,393	88,170	-	88,170
Commodity Procurement, Transportation and Warehousing	-	-	-	-
Capital Equipment	-	-	-	-
Consultancy/Technical Assistance/Training	86,700	-	-	-
Sub-Awardee	1,576,315	1,905,684	-	1,905,684
Equipment (Note 1)	-	6,901	-	6,901
Program Materials (Note 1)	3,841,526	417,215	-	417,215
ODCs (Note 1)	-	3,218,411	-	3,218,411
Indirect Costs	1,333,333	1,264,402	-	1,264,402
<i>New Award 720BHA21GR00107 Subtotal</i>	8,000,000	7,593,194	-	7,593,194
Personnel	134,465	155,731	-	155,731
Fringe Benefits	47,902	19,911	-	19,911
Travel and Transport	34,400	23,482	-	23,482
Equipment at/above \$5,000	-	-	-	-
Supplies	17,863	2,446	-	2,446
Sub-awards and Contracts	1,482,051	1,431,153	-	1,431,153
Construction	-	-	-	-
Program Materials	-	207,580	-	207,580
ODCs	291,236	152,126	-	152,126
Indirect Costs	401,583	398,487	-	398,487
<i>New Award 720BHA21GR00159 Subtotal</i>	2,409,500	2,390,915	-	2,390,915
Personnel	592,835	368,898	-	368,898
Fringe Benefits	300,255	35,321	-	35,321
Travel and Transport	74,154	186,142	-	186,142
Equipment at/above \$5,000	-	-	-	-
Supplies	15,162	2,313	-	2,313
Sub-awards and Contracts	405,433	-	-	-
Construction	43,418	-	-	-

Major Cost Category by Award	Budgeted (\$ (a))	Actual Costs Incurred and Invoiced (\$ (b))	Questioned Costs (\$)	Adjusted Costs (Incurred Less Questioned) (\$)
Program Materials (<i>Note 1</i>)	546,259	66,911	-	66,911
ODCs (<i>Note 1</i>)		163,346	-	163,346
Indirect Costs	372,484	166,838	-	166,838
<i>New Award 720BHA22GR00024 Subtotal</i>	2,350,000	989,768	-	989,768
<i>Subtotal Grant Agreement</i>	35,795,200	30,334,311	-	30,334,311
Grand Total	122,069,104	45,693,673	-	45,693,673

- a) This column was compiled based on the internal budgets utilized by Catholic Relief Services – United States Conference of Catholic Bishops (CRS-USCCB) and on the budget displayed in the award agreements. While some of the costs incurred toward individual cost categories are above the budgeted amount, CRS-USCCB was within the award budget in totality
- b) Amounts listed represent costs incurred under Coronavirus Disease 2019 (COVID-19)-funded awards

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

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

Note 3: As noted in *Note 2* above, the amount reported as indirect costs incurred represents Kearney’s calculation of indirect costs claimed using provisional billing rates. For this award, that calculation aggregated with actual direct costs incurred causes the award to exceed obligated amounts specific to COVID-19 funding. However, Kearney noted that the overage was due to the applied indirect costs on the award. CRS-USCCB 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.

Note 4: The amount reported as indirect costs incurred represents Kearney’s calculation of indirect costs claimed using provisional

billing rates based on the effective date based on the NICRA effective period. For this award, that calculation aggregated with actual direct costs incurred causes the award to exceed obligated amounts specific to COVID-19 funding due to the timing difference of the start of the NICRA effective period (10/01/2020) and the NICRA approval date (09/16/2021). However, per review of the SF-425, we verified that CRS-USCCB did not report costs over the obligated amount.

Exhibit B: Schedule of Indirect Cost Rates

Award Number	Effective Dates	Indirect Category	Combined Indirect Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (Note 1) (\$)
AID-624-A-14-00004	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	-	-
	Provisional rates – 10/01/2020 (effective for scope period of performance 10/01/2020 through 03/31/2022)	Combined Indirect Rate (a)	20.00%	195,022	39,004
AID-294-A-16-00002	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	715,004	166,095
	Provisional rates – 10/01/2020 (effective for scope period of performance 10/01/2020 through 03/31/2022)	Combined Indirect Rate (a)	20.00%	7,227,949	1,445,590
72061318CA00001	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	-	-
	Provisional rates – 10/01/2020 (effective for scope period of performance 10/01/2020 through 03/31/2022)	Combined Indirect Rate (a)	20.00%	32,229	6,446
720BHA21CA00002	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	-	-
		Combined Indirect Rate (a)	20.00%	1,297,336	259,467

Award Number	Effective Dates	Indirect Category	Combined Indirect Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (Note 1) (\$)
	Provisional rates – 10/01/2020 (effective for scope period of performance 10/01/2020 through 03/31/2022)				
7200AA20FA00007	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	-	-
	Provisional rates – 10/01/2020 (effective for scope period of performance 10/01/2020 through 03/31/2022)	Combined Indirect Rate (a)	20.00%	3,333,400	666,600
720FDA20GR00041	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	600,959	139,603
	Provisional rates – 10/1/2020 (effective for scope period of performance 10/01/2020 through 03/31/2022)	Combined Indirect Rate (a)	20.00%	347,827	69,565
720FDA20GR00087	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	200,233	46,514
	Provisional rates – 10/01/2020 (effective for scope period of performance 10/01/2020 through 03/31/2022)	Combined Indirect Rate (a)	20.00%	349,826	69,965
720FDA20GR00133	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	174,084	40,440

Award Number	Effective Dates	Indirect Category	Combined Indirect Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (Note 1) (\$)
	Provisional rates – 10/01/2020 (effective for scope period of performance 10/01/2020 through 03/31/2022)	Combined Indirect Rate (a)	20.00%	1,446,376	289,275
720FDA20GR00216	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	172,724	40,123
	Provisional rates – 10/1/2020 (effective for scope period of performance 10/01/2020 through 03/31/2022)	Combined Indirect Rate (a)	20.00%	1,490,158	298,032
72DFFP20GR00048	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	207,508	48,204
	Provisional rates – 10/01/2020 (effective for scope period of performance 10/01/2020 through 03/31/2022)	Combined Indirect Rate (a)	20.00%	4,045,751	809,150
720FDA20GR00192	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	1,827	425
	Provisional rates – 10/01/2020 (effective for scope period of performance 10/01/2020 through 03/31/2022)	Combined Indirect Rate (a)	20.00%	772,181	154,436
720FDA20GR00128	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	49,571	11,516

Award Number	Effective Dates	Indirect Category	Combined Indirect Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (Note 1) (\$)
	Provisional rates – 10/01/2020 (effective for scope period of performance 10/01/2020 through 03/31/2022)	Combined Indirect Rate (a)	20.00%	1,498,587	299,717
720FDA20GR00172	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	97,701	22,696
	Provisional rates – 10/01/2020 (effective for scope period of performance 10/01/2020 through 3/31/2022)	Combined Indirect Rate (a)	20.00%	1,003,111	200,622
72DFFP20GR00060	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	25,148	5,842
	Provisional rates – 10/01/2020 (effective for scope period of performance 10/01/2020 through 03/31/2022)	Combined Indirect Rate (a)	20.00%	813,127	162,625
720BHA21GR00027	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	-	-
	Provisional rates – 10/01/2020 (effective for scope period of performance 10/01/2020 through 03/31/2022)	Combined Indirect Rate (a)	20.00%	1,557,977	311,595
720BHA21GR00107	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	-	-

Award Number	Effective Dates	Indirect Category	Combined Indirect Rate (%)	Base Allocation (\$)	Recalculated Applied Indirect Costs (Note 1) (\$)
	Provisional rates – 10/01/2020 (effective for scope period of performance 10/01/2020 through 03/31/2022)	Combined Indirect Rate (a)	20.00%	6,322,009	1,264,402
720BHA21GR00159	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	-	-
	Provisional rates – 10/01/2020 (effective for scope period of performance 10/01/2020 through 03/31/2022)	Combined Indirect Rate (a)	20.00%	1,992,429	398,486
720BHA22GR00024	Final rates – 03/01/2020 (effective for scope period of 03/01/2020 through 09/30/2020)	Combined Indirect Rate (a)	23.23%	-	-
	Provisional rates – 10/01/2020 (effective for scope period of performance 10/01/2020 through 03/31/2022)	Combined Indirect Rate (a)	20.00%	834,191	166,838

- a) CRS-USCCB utilizes a combined indirect rate to report its indirect costs on its SF-425. As CRS-USCCB received approval to utilize the combined rate from the USAID Office of Acquisition and Assistance, Kearney calculated the applied indirect costs based on the combined rate. Specifically, the combined rate consisted of two indirect rates, the Field Program Overhead (OH) rate and the Management and General rate with the following bases:
- The Field Program OH base is Overseas Operations excluding (1) donated commodities and associated freight (including ocean, inland, and internal transport storage and handling), (2) capital equipment greater than \$5,000, (3) micro enterprise loans, (4) exchange fluctuations, (5) sub-awards to organizations that undergo a Uniform Guidance 2 Code of Federal Regulations (CFR) 200 Subpart F or equivalent and have an indirect cost rate agreement with their cognizant Federal agency, (6) pharmaceutical expenses, and (7) treated bed nets

- The Management and General base is Overseas Operations, United States Operations, and Fundraising and Public Awareness, excluding (1) donated commodities and associated freight (including ocean, inland, and internal transport storage and handling), (2) capital equipment greater than \$5,000, (3) micro enterprise loans, (4) exchange fluctuations, (5) sub-awards to organizations that undergo a Uniform Guidance 2 CFR 200 Subpart F or equivalent and have an indirect cost rate agreement with their cognizant Federal agency, (6) pharmaceutical expenses, and (7) treated bed nets

Note 1: 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.

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 Catholic Relief Services – United States Conference of Catholic Bishops’ (also referred to as “CRS-USCCB” 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 (\$)
7200AA20FA00007	4,000,000	4,000,000
720BHA21GR00107	13,500,000	7,593,194
720BHA21GR00159	2,409,500	2,390,915
720BHA22GR00024	2,350,000	989,768
720FDA20GR00041	1,000,000	1,000,000
720FDA20GR00087	861,000	714,531
720FDA20GR00128	1,839,634	1,839,634
720FDA20GR00133	2,000,000	1,981,093
720FDA20GR00172	1,350,000	1,323,997
720FDA20GR00192	1,200,000	919,221
720FDA20GR00216	2,000,000	2,000,000
72DFFP20GR00048	5,099,506	5,099,506
72DFFP20GR00060	3,600,000	2,612,879
720BHA21GR00027	4,085,670	1,869,573
AID-294-A-16-00002	11,000,000	9,563,884
72061318CA00001	323,400	38,675
AID-624-A-14-00004	200,000	200,000
720BHA21CA00002	10,000,000	1,556,803

- 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 May 24, 2023 to January 2, 2024 and covered the period from March 1, 2020 to March 31, 2022. In addition, the following CRS-USCCB overseas locations had transactions that were included in our samples: El Salvador, Ethiopia, Guatemala, Haiti, Honduras, Italy, Gaza, Liberia, Micronesia, Nigeria, Philippines, South Sudan, Sierra Leone, and Zimbabwe.

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 the projection of results) of direct costs incurred and reported to USAID, identifying and quantifying questioned costs. For each sample:
 - Determining if payments have been made in accordance with legal and regulatory requirements and award provisions
 - Determining if funds have been expended for purposes not authorized or not in accordance with applicable regulatory requirements and award provisions
 - Identifying any costs not considered appropriate, as well as classifying and explaining why these costs are questioned
 - Determining whether any commodities directly procured by USAID are unaccounted for or have not been used for their intended purposes in accordance with the award. If so, the cost of such commodities must be questioned
 - Determining whether any technical assistance provided under the award is unaccounted for or has not been used for its intended purpose in accordance with the agreement
 - Determining if the technical assistance as applicable was provided according to the award and to the project needs
 - Determining if those who received services and benefits were eligible to receive them
 - Determining if the Recipient’s financial reports and claims for costs reported to USAID contain information that is supported by the books and records
- Recalculating the applied indirect costs on auditable direct costs incurred, including

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

Work Related to Internal Controls

Kearney performed steps to assess the adequacy of internal controls that we deemed to be significant within the context of the audit objectives. We assessed the design of controls by

evaluating the control environment and the key control procedures, and tested properly designed controls for operating effectiveness. Specifically, we reviewed key controls with regard to the following:

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

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

APPENDIX B – USAID MANAGEMENT COMMENTS

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

**MEMORANDUM**

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

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

DATE: March 13, 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 Catholic Relief Services from March 1, 2020, to March 31, 2022” (3-000-24-007-U) prepared by Kearney & Company P.C. (Kearney) on behalf of the Office of the USAID Inspector General (OIG) on March 5, 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 Catholic Relief Services – United States Conference of Catholic Bishops (CRS-USCCB) for Coronavirus Disease 2019 (COVID-19) activities for the period of March 1, 2020, to March 31, 2022.

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

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

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

COMMENTS BY THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) ON THE DRAFT REPORT RELEASED BY THE USAID OFFICE OF THE INSPECTOR GENERAL (OIG) TITLED, "COVID-19: AUDIT OF COSTS INCURRED BY CATHOLIC RELIEF SERVICES FROM MARCH 1, 2020, TO MARCH 31, 2022" (3-000-24-007-U) PREPARED BY KEARNEY & COMPANY P.C. (KEARNEY) ON BEHALF OF THE OFFICE OF THE USAID INSPECTOR GENERAL (OIG) ON MARCH 5, 2024

Audit Barriers for Awards with Multiple Funding Sources

During the audit period, Kearney was unable to isolate the applied indirect costs under the following CRS-USCCB awards:

- 720BHA21GR00027
- AID-294-A-16-000002
- 72061318CA00001
- AID-624-A-14-00004
- 720BHA21CA000002

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

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

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

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

USAID also recognizes the audit limitations discussed in the *Limitations or Uncertainties with the Reliability or Validity of Evidence* section of this report which pertain to these same five awards.

As noted on page three of the audit, Kearney was unable to validate the completeness of the testing population and relied on CRS-USCCB to provide Kearney with a transactional listing of auditable costs incurred for these awards. Kearney was unable to verify the accuracy and completeness of this testing population due to a lack of a reconciliation source for the following reasons:

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

Although Kearney verified that all costs incurred as provided by the Recipient were below the COVID-19 obligated amount by award, Kearney stated that *“...there remains an unmitigated risk that the population of costs incurred under COVID-19 activities as provided by CRS-USCCB is not complete and unallowable costs may exist that would not have been detected by this audit.”* While USAID understands that there may be a chance that unallowable and/or questioned costs could exist under award these awards, USAID must highlight that the likelihood of this occurring is extremely low considering that the combined total of \$32M audited under the other 13 CRS-USCCB awards which did not combine various funding sources, did not identify any unallowable or questioned costs.

Furthermore, Kearney audited \$13.2M of costs related to COVID-19 activities under these five (5) awards which represents less than 30 percent of the total costs audited under all 18 awards. Although the indirect costs under these awards could not be segregated based on COVID-19 and non-COVID-19 activities, if unallowable and/or questioned costs were to be identified, the amount would be considered immaterial when compared to the entire universe of CRS-USCCB costs audited under this performance audit.

Again, USAID would like to emphasize that Kearney verified that all costs incurred under these awards as provided by CRS-USCCB, were below the COVID-19 obligated amount on the award, indicating that the overall audit risk associated with these costs are low.

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

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 Cost Incurred by Catholic Relief Services From March 1, 2020, to March 31, 2022" (3-000-24-007-U) Prepared by Kearney & Company P.S. (Kearney) on behalf of the Office of the USAID Inspector General (OIG) on March 5, 2024

Approved: M/OAA: JRodgers 3/12/2024

Clearances:

Bureau/IO/Mission	Clearance Status	Date
M/OAA/ACTS: DBroderick	Cleared	03/11/2024
M/OOAA/CAS: SSnyder	Cleared	03/11/2024
GC/A&A: DPerone	Cleared	03/11/2024

Drafter: M/OAA/CAS